



# ***Daily Report***

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## **China**

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# Daily Report

## China

FBIS-CHI-91-137

### CONTENTS

17 July 1991

**NOTICE TO READERS:** An \* indicates material not previously disseminated in electronic form.

#### INTERNATIONAL AFFAIRS

##### General

Beijing To Host Meeting on Global Change [XINHUA] .....	1
G-7 Meeting Topics, Political Declaration Noted .....	1
Changes in China Policy Seen [Hong Kong WEN WEI PO 17 Jul] .....	1
Renewed MFN Supported [XINHUA] .....	2
Cooperation Welcomed [XINHUA] .....	2
Hurd Cited on Regional Issues [XINHUA] .....	2
Differences in Views on USSR [XINHUA] .....	3
Soviet Reform, E. Europe Viewed [XINHUA] .....	3
Mideast Conference Backed [XINHUA] .....	3
Iraq Sanctions To Continue [XINHUA] .....	4
'Revitalized' UN Envisioned [XINHUA] .....	4
UN Relief Role Urged [XINHUA] .....	4
Declaration on Arms Register [XINHUA] .....	5
More on Gorbachev Plan Reaction [XINHUA] .....	5
Major Responds to Gorbachev [XINHUA] .....	6
USSR To Get Technical Aid [XINHUA] .....	6
World Economy Discussed [XINHUA] .....	6

##### United States & Canada

RENMIN RIBAO Cited on U.S. Arm Sales [XINHUA] .....	6
More on Rebuttal of Mideast Missile Shipments [Beijing International] .....	7
XINHUA Quotes Cheney on Philippine Bases .....	7
Sino-U.S. Medical Research Project Begins [XINHUA] .....	8

##### Northeast Asia

Li Peng, Japan's Fukuda on Upcoming Kaifu Visit [XINHUA] .....	8
Youth Exchanges Discussed [Tokyo TV] .....	9
Wang Zhen Meets Japanese Business 'Friend' [XINHUA] .....	9
Peng Chong Meets DPRK Goodwill Delegation [XINHUA] .....	9

##### Southeast Asia & Pacific

Cambodian SNC Talks Continuing in Beijing .....	9
Li Peng To Meet Leaders [Tokyo KYODO] .....	9
'Impromptu' Sihanouk Speech [XINHUA] .....	10
Dinner for Ranariddh [XINHUA] .....	10
Press Release Notes Progress [XINHUA] .....	10
Compromise on SNC Chair [AFP] .....	11
Sihanouk Resigns From Resistance [AFP] .....	11
Thailand Seeks Establishment of SNC Mission [XINHUA] .....	11
PLA Deputy Chief Meets Thai Military Leader [XINHUA] .....	12
Flood Relief Donation [XINHUA] .....	12
Qian Qichen Departs for Malaysia Visit [XINHUA] .....	12
First Singapore Ambassador Presents Credentials [XINHUA] .....	12
Envoy to Singapore Appeals for Flood Relief [XINHUA] .....	12
Philippine Chinese Give Money to Flood Victims [XINHUA] .....	12

### Near East & South Asia

Li Peng Cited on Mideast Arms Control [RENMIN RIBAO 15 Jul]	13
Prospects, Success of Li Mideast Visit Viewed	13
RENMIN RIBAO Editorial [XINHUA]	13
'Guest Commentator' [BEIJING REVIEW No 27]	14
TA KUNG PAO Column [Hong Kong 10 Jul]	15
'Round-Up' on Reactions to Syrian Decision [XINHUA]	16
Nepalese King Sends Sympathy Message to Yang [XINHUA]	17
Premier's Message to Li Peng [XINHUA]	17

### Sub-Saharan Africa

'Roundup' Hails ANC Congress as 'Milestone' [Beijing Radio]	18
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## NATIONAL AFFAIRS

### Political & Social

Tian Jiyun Praises Work on Behalf of Handicapped [XINHUA]	19
Hou Zongbin Writes on Party Spirit Principle [QUISHI 1 Jun]	19
CPC Official Discusses Socialist Education [XINHUA]	25
Commentary on Peasants' Understanding of Socialism [XINHUA]	28
More Staff To Be Trained Abroad in 8th Plan [XINHUA]	29
United Front Official Writes on Party Anniversary [RENMIN RIBAO 30 Jun]	29
GUOJI SHANGBAO Publishes Additional Issue [27 Jun]	35

### Science & Technology

*Space-Qualified CMOS ICs Receive Approval [ZHONGGUO DIANZE BAO 7 Jun]	36
Song Jian Inspects Shandong Hi-Tech Zone [Beijing Radio]	36
Success Seen in High-Tech Development Zones [CHINA DAILY 15 Jul]	36
Ministry To Launch Technological Projects [XINHUA]	37
Speeches at Seminar on High-Tech Zones [RENMIN RIBAO 3 Jun]	37

### Economic & Agricultural

Peng Chong Attends CSIBA Meeting in Beijing [XINHUA]	43
Six-Month Industrial Production Up 13.4% [XINHUA]	43
Industrial Output, Product Quality Increase [RENMIN RIBAO 6 Jul]	44
Economist Probes Shoudu, Enterprise Invigoration [RENMIN RIBAO 21 Jun]	45
XINHUA Reports on Forming Enterprise Groups	55
Warning on 'Blind Action'	55
Integration, Economic Returns	56

## REGIONAL AFFAIRS

### East Region

Anhui Congress Holds Standing Committee Meeting [Hefei Radio]	57
Officials in Fujian's Xiamen Charged With Graft [Tokyo KYODO]	57
Jiangsu's Shen Daren on Party Leadership [XINHUA RIBAO 26 Jun]	57
Wu Bangguo at Shanghai Family Planning Forum [XINHUA]	60
Addresses Flood Meeting [Shanghai Radio]	60

### Central-South Region

Guangdong Industrial Production Up 27.1 Percent [XINHUA]	61
Guangdong Launches Antinarcotics Campaign [Hong Kong TA KUNG PAO 10 Jul]	61
Typhoon Hits Hainan, Causes Economic Losses [XINHUA]	62

### Southwest Region

Sichuan Provides Aid to Flood-Stricken Areas [XINHUA] .....	62
Pu Chaozu Addresses Yunnan Plenary Session [Kunming Radio] .....	63
Major Narcotics Case Cracked in Yunnan [RENMIN GONGAN BAO 25 Jun] .....	64
Yunnan To Supply Guangdong More Electric Power [XINHUA] .....	64

### Northwest Region

Gansu's Gu Jinchi Chairs Kangle County Meeting [Lanzhou Radio] .....	64
Authorities Arrest, Punish Ningxia Tobacco Head [XINHUA] .....	65
Yin Kesheng Attends Qinghai Minority Songfest [XINHUA] .....	65
Qinghai Increases Interprovincial Cooperation [XINHUA] .....	65
Zhang Boxing at Shaanxi Two-Support Meeting [Xian Radio] .....	66
Xinjiang Standing Committee Meeting Ends [Urumqi TV] .....	66

### PRC MEDIA ON TAIWAN AFFAIRS

SEF Delegation Continues Mainland Visit .....	67
Fishermen Issue Discussed [ZHONGGUO XINWEN SHE] .....	67
Meets Shanghai Officials [Shanghai Radio] .....	67
Paper Criticizes UN Membership Proposal [RENMIN RIBAO OVERSEAS EDITION 11 Jul] .....	67
Reunification Committee Urges Wise Response [XINHUA] .....	68
XINHUA Reaction to Taiwan Advertisement .....	69
XINHUA Taiwan Affairs Official Takes Office [ZHONGGUO TONGXUN SHE] .....	69
Taiwan Red Cross Donations for Flood Victims [XINHUA] .....	69
Second Donation Made [ZHONGGUO XINWEN SHE] .....	70
Official Says Taiwan Should Use Mainland Coal [CHINA DAILY 12 Jul] .....	70



## General

### Beijing To Host Meeting on Global Change

OW1607125991 Beijing XINHUA in English  
1120 GMT 16 Jul 91

[Text] Beijing, July 16 (XINHUA)—About 1,000 scientists from 47 countries will gather here early next month to discuss the earth's environment and provide a scientific basis for forecasting and improving the global environment.

The 13th Congress of the International Union for Quaternary Research with the theme: Humans and Global Change During the Quaternary, will be held from August 2 to 9 at the Beijing International Convention Center.

Quaternary research is the study of the evolution process and developing trend of the earth environment in which man has been living and evolving over the past two million years. China's major landscapes, such as the Loess Plateau, the Qinghai-Tibetan Plateau, the red earth regions of southern China, karst topography, and salt lakes have been formed during this geological period.

Speaking at a press conference here today, Professor Liu Dongsheng, a member of the Chinese Academy of Sciences and president of the organizing committee of the congress, said that the problems to be discussed at the meeting are of great concern to the governments and people of many countries. "The environment of the present day is the product of the evolution of the past environment. The past is the key to predicting the future environment for human development and survival," he said.

According to Liu, the geological conference is expected to be the greatest international gathering ever hosted by the Chinese Academy of Sciences. Chinese Vice-Premier Yao Yilin will be the honorary president of the congress.

During the meeting, the South-South Cooperation Fund of the Chinese Academy of Sciences will open a special seminar for young scholars and university students from Third World countries. A field excursion will be organized to enable the participants to study the geological, ecological, anthropological and archaeological monuments and landmarks in the Qinghai-Tibetan Plateau, the Tianshan Mountains and the Yellow River Valley.

### G-7 Meeting Topics, Political Declaration Noted

#### Changes in China Policy Seen

HK1707053691 Hong Kong WEN WEI PO  
in Chinese 17 Jul 91 p 2

[Editorial: "G-7 Summit Reflects Changes in China Policy"]

[Text] The Group of Seven [G-7] nations summit yesterday issued a political statement urging the Bush administration to continue unconditionally granting most-favored-nation [MFN] trade status to China; it stressed that the West

should not isolate China, that the process of restoring interactions with China should continue, and that the West hopes to see China carrying out reform.

This call is identical to the diplomatic activities of the industrial nations. The Japanese and British prime ministers are ready to visit China, and this symbolizes normalization of relations with China and restoration of normal contacts. Canada, Germany, France, and Italy are actively developing economic and trade cooperation with China and trying to make investments in China. At present, it is the United States which is moving very slowly. The Bush administration has already made clear that it will continue to unconditionally grant MFN status to China, and the Republicans in the Senate are prepared to support Bush's decision. The call by the summit is in fact support for Bush as he tries to ease opposition from the shortsighted in Congress, and let them know that easing up has become a world trend and that sanctions against and isolation of China fail to meet the Western world's need to develop relations with China. The more extensive the economic cooperation in the world, the better, and only by developing the spirit of equal reciprocity, carrying out mutual contacts, and increasing exchanges can we help mankind's peace undertaking and economic development.

Some congressmen are hanging on to Bush's coat tails, and Bush is certainly happy to let his political allies play the role of lobbyists, exert influence and make congressmen understand China's role in international affairs and other countries' attitudes toward the handling of relations with China, so as to make them understand that Bush's decision to continue granting MFN status to China is a reasonable choice.

The shift in attitude of the G-7 nations summit indicates that the sanctions over the past 2 years have come to an end. The United States was the nation that initiated sanctions against China, and it is difficult to ask it to suddenly turn about. The United States can only walk down the staircase step by step, and create the atmosphere and environment for doing so. The other six industrial nations make the call, and the United States, as an ally, conforms to that call, and this makes the development of events more natural.

The G-7 nations summit also discussed the problem of the Soviet Union's reform and request for aid. The reform in the Soviet Union is certainly wanted by the West, but European countries also worry that it will go too fast and cause economic instability and even political turmoil. They worry that if they let Gorbachev return home empty-handed, he will have no explanation to offer his citizens, who have already grown impatient at the economic difficulties in the country, and divergent opinions within the country will increase; that if Gorbachev's position is not stable, the chaotic situation in the Soviet Union will affect Europe; and that even if economic refugees rush only to central Europe, unmanageable clashes will occur in Germany, France, and Italy.

Therefore, the summit's political declaration reiterated support for the reform in the Soviet Union, and this at least gives a spiritual reward for Gorbachev. However, if "support" has to be translated into economic aid, then how many billions of U.S. dollars will suffice? What is the effect of throwing money into a bottomless pit? The United States has already said that it has financial difficulties itself and cannot give a large amount of aid. Japan said since the problem of the four islands in the north remains unsolved, it cannot give aid. Britain is facing a recession and it is more difficult to expect it to send money and materials to the Soviet Union. Germany and France are inclined to give aid to the Soviet Union, so as to benefit the Soviets and themselves, but they are the only two countries willing to give money, and as the amount is small, so is the effect. Therefore, the declaration asks the Soviet Union to increase the visibility or openness of the reform and strive for some practical results. Then, they will start sending large-scale aid. This is in fact a wait-and-see attitude with reservations.

China is carrying out reform, and it has political stability and economic development; its democratic legal system is being built step by step, and it also adds a huge market for the West. Under these circumstances, the Western countries suggest the granting of MFN status to China, because they have an eye on the Chinese market and note that China's reform model has great vitality. Over the past 2 years, the West has indeed understood very little with regard to the development of the situation in China, the reason being that there was no contact and exchange. Once the West thoroughly restores relations with China, it will understand more about the reform in China and make a proper assessment.

#### **Renewed MFN Supported**

*OW1607124291 Beijing XINHUA in English  
1153 GMT 16 Jul 91*

[Text] London, July 16 (XINHUA)—Leaders of the Group of Seven industrial countries backed the renewal of the most favoured nation trade status for China, British Foreign Secretary Douglas Hurd said today.

He told a news conference that the leaders appreciated China's position in the Gulf conflict.

The leaders also expressed the hope that economic and political reforms will continue in China.

#### **Cooperation Welcomed**

*OW1607133091 Beijing XINHUA in English  
1250 GMT 16 Jul 91*

[Text] London, July 16 (XINHUA)—Leaders of the seven industrial nations attending the London summit said today that they welcomed China's cooperation on international and regional issues.

Speaking at a news conference, British Foreign Secretary Douglas Hurd said: "We welcome China's cooperation

with the international coalition in opposing Iraqi aggression and over other regional issues.

"We hope to see further economic and political reform in that country," he said.

Hurd added: "Contacts with the Chinese have been rebuilt over the past year, and this process should continue."

The British foreign secretary said the leaders also backed the renewal of most favoured nation status to China by the United States.

"Unconditional extension of most favoured nation status to China by the U.S. would contribute to these goals," he said.

#### **Hurd Cited on Regional Issues**

*OW1607180791 Beijing XINHUA in English  
1417 GMT 16 Jul 91*

[Text] London, July 16 (XINHUA)—The London summit of the Group of Seven industrial countries discussed a number of regional issues and called for their settlements, British Foreign Secretary Douglas Hurd said today.

Speaking at a news conference, Hurd said: "We would welcome a comprehensive settlement in Cambodia allowing peace, independence, democracy and full respect for human rights."

"We hope for a similar outcome in Afghanistan," he added.

On Japanese-Soviet relations, Hurd said: "We hope that the new spirit of international cooperation will be as fully reflected in Asia as in Europe."

"The full normalisation of Japan-Soviet relations, including resolution of the northern territories issue, would greatly contribute to this."

Referring to the question of Korea, Hurd said: "We look forward to North and South Korea's admission to the United Nations and to the resumption shortly of high-level dialogue" between the two sides.

On Cyprus, Hurd said: "We support the (United Nations) secretary-general's continuing efforts to draw up an outline agreement."

On South Africa, the G-7 leaders welcomed in a political declaration the positive developments in the country, where the legislative pillars of apartheid have recently been abolished.

"We hope that these important steps will be followed by the de facto elimination of apartheid and improvement in the situation of the most impoverished among the population of South Africa."

"We hope that negotiations on a new constitution leading to non-racial democracy will begin shortly and will not be disrupted by the tragic upsurge of violence," they stressed.

#### Differences in Views on USSR

OW1607140791 Beijing XINHUA in English  
1154 GMT 16 Jul 91

[Text] London, July 16 (XINHUA)—Leaders of seven industrial countries appeared today to have resolved to line up behind Soviet President Gorbachev, affirming their support for "the process of fundamental reform in the Soviet Union".

A draft communique, released a moment ago, says: "Our support for the process of fundamental reform in the Soviet Union remains as strong as ever. We believe that new thinking in Soviet foreign policy ... should be applied on a global basis."

President Gorbachev, expected to arrive in London late today, will confer separately with seven leaders of the London summit over his plea for Western aid to back his 10th reform plan, contained in his 23-page letter to the seven leaders.

Political observers here said, Mr. Gorbachev, while guaranteed with strong political support from leaders of seven industrial powers, could expect only modest economic help from them.

Germany, the most sympathetic for the Soviet reforms, yesterday warned against letting the Soviet Union slide into instability by Western ignorance of Mr. Gorbachev's difficulties in pursuing his reforms.

Chancellor Helmut Kohl emphasised that it was not in the Western interest, and his view was shared by France and Italy, who constitute a European continental trio, contrasting the other four countries in dealing with the Soviet appeal for aid.

The U.S., Britain, Japan and Canada, however, showed their reservations about Mr. Gorbachev's reform plan.

British Chancellor Norman Lamont said Britain's response to Mr. Gorbachev's proposals in his letter to G-7 leaders was "one of hard-nosed scepticism".

He believed that Mr. Gorbachev had not gone far enough on the plan to cut military spending and reshape the economic structure.

And he said the way to save the Soviet Union out of its economic crisis was trade not aid.

Japanese officials said finance ministers of the Group of Seven had agreed to set up a system to monitor Soviet economic reform program.

But the finance ministers remained undecided on how the monitoring system should function or who should be in charge, they said.

#### Soviet Reform, E. Europe Viewed

OW1607174691 Beijing XINHUA in English  
1352 GMT 16 Jul 91

[Text] London, July 16 (XINHUA)—Leaders of the world's seven leading industrial nations reiterated their support for Soviet President Mikhail Gorbachev and current reforms in the country.

Gorbachev is to meet the G-7 leaders in London tomorrow at the end of their summit.

In a political declaration released today, the leaders said: "Our support for the process of fundamental reform in the Soviet Union remains as strong as ever.

"We reiterate our commitment to working with the Soviet Union to support their efforts to create an open society, a pluralistic democracy and a market economy," they declared.

They also welcomed Moscow's efforts to "create a new union, based on consent not coercion, which genuinely responds to the wishes of the peoples of the Soviet Union."

On central and Eastern Europe, the G-7 leaders said that they welcomed the "further substantial progress" in reform, both political and economic, achieved in these countries.

"We have a strong interest in the success of market reforms and democracy in central and Eastern Europe and we commit ourselves to full support for these reforms," they added.

Turning to Yugoslavia, the leaders said that the situation there continues to cause "great concern."

"We call for a halt to violence, the deactivation and return of military forces to barracks and a permanent ceasefire," they said.

They also supported the efforts of the European Community and its member states in assisting in the resolution of the Yugoslav crisis.

#### Mideast Conference Backed

OW1607180991 Beijing XINHUA in English  
1406 GMT 16 Jul 91

[Text] London, July 16 (XINHUA)—Leaders of the seven industrial nations today backed a Middle East peace conference and called for direct talks between Israelis and Arabs.

In a political declaration issued this morning, the leaders said: "We support the concept of a peace conference starting parallel and direct negotiations between Israel and representative Palestinians on the one hand and Israel and the Arab states on the other."

The leaders said that they attached "overriding importance" to the launching of a process designed to bring



comprehensive, just and lasting peace between Israel and her Arab neighbours, including the Palestinians.

Such a peace should be based on relevant United Nations resolutions and the principle of territory for peace, they added.

The summit participants also confirmed their continuing support for the current American initiative to advance the peace process, which they believe offers the best hope of progress towards a settlement.

"We urge all the parties to the dispute to adopt reciprocal and balanced confidence-building measures and to show the flexibility necessary to allow a peace conference to be convened on the basis set out in this initiative," they said.

"In that connection we believe that the Arab boycott should be suspended as should the Israeli policy of building settlements in the occupied territories," they stressed.

Yesterday, a White House spokesman announced that U.S. Secretary of State James Baker would visit the Middle East after the London summit.

The leaders welcomed the prospects opened by the restoration of security in Lebanon.

"We continue to support efforts by the Lebanese authorities to achieve the implementation of the Taif process, which will lead to the departure of all foreign forces and the holding of free elections," they said.

They also expressed their support for the development of economic cooperation among the Middle East countries.

### **Iraq Sanctions To Continue**

*OW1607141191 Beijing XINHUA in English  
1241 GMT 16 Jul 91*

[Text] London, July 16 (XINHUA)—Leaders of the world's seven leading industrial countries said today that they would continue to impose sanctions on Iraq.

"We intend to maintain sanctions against Iraq until all the relevant resolutions of the (United Nations) Security Council have been implemented in full and the people of Iraq, as well as their neighbours, can live without fear of intimidation, repression or attack," they said in a political declaration released this morning.

They also expressed their support for "what the countries of the Gulf and their neighbours are doing to ensure their security in future."

### **'Revitalized' UN Envisioned**

*OW1607140991 Beijing XINHUA in English  
1213 GMT 16 Jul 91*

[Text] London, July 16 (XINHUA)—Leaders of the seven leading industrial nations have called for a "revitalised United Nations" which will have a central role in strengthening the international order.

In a political declaration issued here this morning, the leaders said: "it is a matter for hope and encouragement that the United Nations Security Council, with the backing of the international community, showed during the Gulf crisis that it could fulfil its role of acting to restore international peace and security and to resolve conflict.

"With the East-West confrontation of the last four decades behind us, the international community must now build on this new spirit of cooperation not only in the Middle East but wherever danger and conflict threaten or other challenges must be met," they said.

The leaders said: "We believe the conditions now exist for the United Nations to fulfil completely the promise and the vision of its founders.

"We commit ourselves to making the U.N. stronger, more efficient and more effective in order to protect human rights, to maintain peace and security for all and to deter aggression.

"We will make preventive diplomacy a top priority to help avert future conflicts by making clear to potential aggressors the consequences of their actions.

"The U.N.'s role in peacekeeping should be reinforced and we are prepared to support this strongly," the leaders declared.

### **UN Relief Role Urged**

*OW1607140891 Beijing XINHUA in English  
1225 GMT 16 Jul 91*

[Text] London, July 16 (XINHUA)—Leaders of the world's seven leading industrial countries today called for the designation of a high level official to help the U.N. secretary-general direct and coordinate United Nations relief efforts.

A political declaration issued this morning said that the official should be answerable only to the United Nations secretary-general, "who would be responsible for directing a prompt and well-integrated international response to emergencies, and for coordinating the relevant U.N. appeals."

The leaders said: "The recent tragedies in Bangladesh, Iraq and the Horn of Africa demonstrate the need to reinforce U.N. relief in coping with emergencies.

"We call on all member states to respond to the secretary general's appeal for voluntary contributions. We would like to see moves to strengthen the coordination, and to accelerate the effective delivery, of all U.N. relief for major disasters."

The summit also called for improvement in the arrangements whereby resources can be mobilised to meet urgent humanitarian needs in time of crisis.

"The United Nations should also make full use of its early warning capacity to alert the international community to coming crises and to work on the preparation of

contingency plans, to include the question of prior earmarking of resources and material that would be available to meet these contingencies," the leaders said.

#### **Declaration on Arms Register**

OW1607145591 Beijing XINHUA in English  
1236 GMT 16 Jul 91

[Text] London, July 16 (XINHUA)—Leaders of seven industrial countries, having seamed their dispute over arms control, today agreed to work together to create a united nations register of global arms sales to prevent arms build-up around the world. [sentence as received]

A special declaration on arms transfers and non-proliferation, adopted by the London summit, said: "We support the proposal for a universal register of arms transfers under the auspices of the United Nations and will work for its early adoption."

The aim of the register would be to prevent any country building a military machine which could threaten its neighbours.

The special declaration said information should be provided to the UN regularly and major arms exporters should develop a common approach to their sales policies.

It urged special restraint in sales of advanced technology weapons and components with possible military applications.

"All countries should refrain from arms transfers which would be destabilising or would exacerbate existing tensions."

It reaffirmed the seven countries's stand for a total ban on chemical and biological weapons.

"Use of such weapons is an outrage against humanity. In the event that a state uses such weapons each of us agrees to give immediate consideration to imposing severe measures against it," the declaration said.

But the declaration stopped short of calling a temporary ban on arms sales to areas of tension such as the Middle East.

Instead, the seven countries recognised that many states needed to buy weapons to ensure their security and right to self-defence.

The declaration actually leaves the door open for the West to sell arms in that area.

#### **More on Gorbachev Plan Reaction**

OW1607185791 Beijing XINHUA in English  
1821 GMT 16 Jul 91

[Text] London, July 16 (XINHUA)—Soviet President Gorbachev's latest radical economic reform plan in exchange for Western aid, which he put in a 23-page letter to G-7 leaders, today emerged at the G-7 London summit.

The letter, which contains the Soviet reform plan, was sent to the G-7 leaders ahead of the London summit in a hope that the seven Western leaders would give a positive response to Mr Gorbachev's plea for help.

But the receptions were cool, although the seven leaders reaffirmed their political support to the Soviet reforms, with leading industrial nations like the United States, Britain and Japan, showing their reservation to large amount of financial aid.

Mr Gorbachev painted in his letter a picture of "serious recession and rising inflation" in the Soviet Union.

"The financial and credit system is in disarray, the state budget deficit is growing, export trade and currency earnings have gone down," he said.

He was afraid his country was "fraught with major social conflicts" threatening its "democratic transformation" because of the hardship.

He believed the way to bail out the present economic crisis was to integrate the Soviet economy into the world economic system.

"We feel the time is at hand to make resolute steps and take concerted action to develop a new type of economic interaction whereby the Soviet economy ... could be integrated in the world economic system."

Gorbachev said he wanted to speed up economic reforms but could not afford to take unwarranted risks given the mood in the country and the fact that sections of the population were not prepared to embrace a market economy.

So he came to ask the G-7 leaders to help him tide over the present difficulties with financial assistance.

Gorbachev, expected to arrive in London tonight, will meet the G-7 leaders in separate discussions on his reform plan and on how far the West could support him in terms of money.

He has outlined a series of measures being taken to halt the economic decline and convert the present structure to conform with a market economy, including privatisation of enterprises, convertibility of the ruble, the inflow of foreign investment, and conversion of arms plants to civilian use.

Gorbachev said he hoped the G-7 countries would restructure Soviet foreign debt, estimated at more than 65 billion dollars.

"Unless we address the external debt problem, it will be extremely difficult for us to pull the country out of the economic crisis..." he said.

It was said G-7 leaders were trying to narrow their differences over the scale of Western aid to Gorbachev to stabilise his position in the Soviet Union before they meet him separately after the end of the London summit on Wednesday.

**Major Responds to Gorbachev***OW1607184691 Beijing XINHUA in English  
1505 GMT 16 Jul 91*

[Text] London, July 16 (XINHUA)—British Prime Minister John Major today told Soviet President Mikhail Gorbachev that he shared his view that the Soviet Union should be helped to integrate into the world economic system.

Major was responding in a letter to Gorbachev's 23-page letter to G-7 leaders, which spelled out his approach to Soviet economic reforms in exchange for financial aid from the West.

Gorbachev, expected to arrive in London tonight, will hold unprecedented separate talks with G-7 leaders after the end of the London summit on Wednesday.

He said in his letter that he was pinning high hopes on the upcoming meeting in London at a time when the Soviet economy had gone in disarray and his reforms were facing "unwarranted risks".

The seven leaders of the United States, Britain, Germany, Japan, France, Italy and Canada have reaffirmed their political support to Gorbachev's economic changes.

**USSR To Get Technical Aid***OW1607215491 Beijing XINHUA in English  
1926 GMT 16 Jul 91*

[Text] London, July 16 (XINHUA)—U.S. President George Bush today told reporters that Soviet President Gorbachev will not leave London empty handed.

His remarks came after G-7 leaders had agreed to offer Gorbachev technical aid in a way to boost the ailing Soviet economy.

Mr Gorbachev will arrive in London this evening and will meet leaders of the United States, Britain, Germany, France, Japan, Italy and Canada tomorrow to discuss how the West would support him in terms of money for his economic reforms.

The G-7 leaders also agreed that the Soviet Union should have a special relationship with the International Monetary Fund (IMF), according to a Japanese official.

The G-7 leaders decided that the IMF, the World Bank and the Organisation for Economic Cooperation and Development (OECD) and the European Bank for Reconstruction and Development will examine what can be done to assist the Soviet Union in its economic reforms.

A German spokesman later said that the G-7 leaders had agreed to hold annual meetings between their rotating chairman and the leader of the Soviet Union.

"It is planned that the political dialogue will be exercised annually by the chairman of the G-7 group," he said.

The G-7 rotates its chairman annually, with Chancellor Helmut Kohl of Germany due to host next year's summit in Munich.

**World Economy Discussed***OW1607215391 Beijing XINHUA in English  
1925 GMT 16 Jul 91*

[Text] London, July 16 (XINHUA)—Leaders of the Group of Seven industrial nations ended their second day of talks this afternoon.

Italian Foreign Minister Gianni de Michelis told a news briefing that today's session was focused on the world economy and other economic issues, including the Uruguay round of trade negotiation under the auspices of the General Agreement on Tariffs and Trade.

The leaders saw eye to eye on many of the issues discussed and an economic declaration was ready to be issued tomorrow morning, he added.

The Italian foreign minister said that the leaders spent much time discussing eastern Europe and the Soviet Union.

He described the discussion as "open and frank", reflecting "different opinions" among the summit participants. "Discussion is not over yet," he said, adding that the leaders will meet Soviet President Mikhail Gorbachev tomorrow at the end of their summit to continue the discussion.

Gianni de Michelis also revealed that Italy is in favour of letting the Soviet Union become a full member of the International Monetary Fund and the World Bank.

But other countries including the United States argued prior to the summit that Moscow should become an associate member of these two world organisations as a first step to integrate the Soviet Union into the world economy.

Tonight, the leaders and their wives are to be given a dinner by British Queen Elizabeth the Second, followed by musical entertainment at Buckingham Palace.

**United States & Canada****RENMIN RIBAO Cited on U.S. Arm Sales***OW1707092891 Beijing XINHUA in English  
0918 GMT 17 Jul 91*

[Text] Beijing, July 17 (XINHUA)—Some people in the United States, one of the world largest arms exporters, should first make themselves clear which country should contain its arm sales abroad before they launch a press campaign against alleged China's arms sales plans, the overseas edition of the Beijing newspaper the PEOPLE'S DAILY said today.

The paper said in an article that while the U.S. Congress is debating on whether to prolong the most favored nation status to China, some people in the U.S. are making a fuss about alleged China's arms sales plans and



some influential U.S. newspapers have recently carried out one article after another, claiming the alleged plans constitute "a menace to the United States' strategies".

The Chinese official newspaper for overseas readers listed some figures on U.S. arms export to show who should first control its arms deals in the present world.

The article said that the United States has been the world's largest arms producer and exporter since the end of World War Two.

Quoting statistics released by the United Nations' first committee, it said the U.S. arms sales from 1980 to 1984 totaled 27.66 billion dollars, ranking first in the world and accounting for 39.7 percent of the world total.

According to statistics by the Swedish International Peace Institute, the world conventional weapon sales in 1986 were valued at 31.46 billion dollars, of which the United States accounted for 10.4 billion dollars, topping any other country in the world.

In 1987, the U.S. was the world second largest arms exporter reaping about 11.55 billion dollars out of the world total of 35.20 billion dollars, the paper said.

According to a report released by the U.S. Congress, the value of U.S. arms sales to the Third World countries in 1988 soared by 66 percent to 9.2 billion dollars, ranking second in the world.

In 1989, global arms sales to the Third World went down by 50 percent but the U.S. arms sales to the Third World dropped only from the previous year's 9.2 billion dollars to 7.7 billion dollars.

It was reported that the U.S. arms sales in 1990 were estimated at 30 billion dollars, including surplus tanks, combat planes, radar command systems, rockets and missiles after it signed treaties on conventional weapons reduction with the Soviet Union.

The Middle East, the "hot spot" of the world, has been a key weapon-dumping place of the United States.

It was reported that from 1982 to 1986, the United States sold 3.7 billion dollars worth of weapons to Israel and over 10 billion dollars worth of weapons to other countries in the region.

During the eight-year Iran-Iraq war, the U.S. arms sales to Iraq and Iran amounted to 15.5 billion dollars and 8.2 billion dollars respectively, the paper noted.

Since the eruption of the Gulf crisis, the U.S. has been unprecedentedly active in selling weapons to the Middle East region. On May 30 this year, it agreed to provide Israel with 700 million dollars worth of weapons and in June it declared a new large-scale arms sales plan to five Middle East countries estimatedly at between 18 billion and 24 billion dollars.

In addition, from 1992 countries in the Middle East will begin to increase their purchase of U.S. weapons valued at 33 billion dollars, the paper added.

#### **More on Rebuttal of Mideast Missile Shipments**

*OW1607131691 Beijing Radio Beijing in Mandarin to Asia 0900 GMT 16 Jul 91*

[Text] Chen Guoqing, press counsellor at the Chinese Embassy in the United States, said in a letter to THE WASHINGTON TIMES that the newspaper's 2 July report alleging that China secretly shipped guided missiles to the Middle East via Cyprus was sheer nonsense.

In his open letter carried in the newspaper on 15 July, Chen Guoqing pointed out: The Chinese Government has always adopted a serious, prudent, and responsible attitude toward the issue of arms exports and strictly abides by the following three basic principles. First, arms exports must help countries concerned to safeguard their independence, sovereignty, and territorial integrity and in maintaining necessary and reasonable defense capabilities. Second, arms exports must be conducive to maintaining and enhancing peace, security, and stability in relevant regions. Third, arms exports must not be used as a means of interfering in the internal affairs of other countries.

Chen Guoqing emphatically pointed out: China advocates the total ban and destruction of nuclear, chemical, and biological weapons that can kill and wound people on a large scale. In addition, China also strives to make the Middle East a region free of nuclear weapons and other antipersonnel weapons of extensive destruction.

In conclusion, Chen Guoqing said: The realization of peace and stability in the Middle East requires the joint efforts of the countries in the Middle East and other regions. To achieve this goal, those countries that have exported large quantities of weapons to the region should take the lead in adopting a responsible attitude and earnestly exercise self-restraint.

#### **XINHUA Quotes Cheney on Philippine Bases**

*OW1607215291 Beijing XINHUA in English 2041 GMT 16 Jul 91*

[Text] Washington, July 16 (XINHUA)—U.S. Defense Secretary Richard Cheney indicated today the United States would give up the Clark Air Base in the Philippines, which has been severely damaged by recent volcanic eruptions.

But the United States wanted to keep the other major base, the Subic Bay Naval Station, Cheney said.

Speaking to the Magazine Publishers of America, Cheney said "my expectation is that we are not going to be interested in going back to Clark."

The U.S. continued use of the base "is just not a viable prospect," he said.

At the same time, Cheney said the United States was far more interested in retaining rights to the Subic base and wanted to work out an agreement with the Philippine Government "as soon as possible," Cheney said.

The United States is currently negotiating with the Philippines on the future of the U.S. military presence in that country and the lease on its two major bases there expires on September 16th.

On Monday, U.S. negotiator Richard Armitage told the Philippine counterpart in Manila that the United States was ready to give up the Clark Base but keep the Subic Naval Base.

Cheney described the sprawling air base as being in "bad shape" and far too costly to renovate given the number of buildings destroyed and the damage done to its airfield.

U.S. Air Force internal studies have put the costs of a bare-bones fix at the site at some 540 million dollars.

Noting that he must make a final decision on repairing the base, Cheney said "my judgement is, at this point, that we do not."

"The likelihood that we will go back to Clark is pretty remote," he added.

### **Sino-U.S. Medical Research Project Begins**

*OW1707063491 Beijing XINHUA in English  
0609 GMT 17 Jul 91*

[Text] Beijing, July 17 (XINHUA)—The Beijing Medical University (BMU) and the U.S. Center for Disease Control will start a joint project for birth defect prevention this year, according to an official from the university.

Authorized by China's Public Health Ministry and the U.S. Department of Health and Human Services, the project will cost more than 20 million U.S. dollars and take six years to complete. It will be the biggest joint project between the two countries in the medical field.

Neural Tube Defects (NTD), including spina bifida and anencephaly, are the most common and the most serious birth defects in China and many parts of the world. It was estimated that there are about 400,000 new borns having such defects in the world and 80,000 to 100,000 in China alone. The incidence in northern China is the highest in the world.

But up to now, no one has ever pinpointed the causes of such birth defects or developed any preventive measures, said Peng Ruicong, dean of BMU. What is known is that they are associated with environmental factors.

Some medical experts have discovered that vitamin deficiency before and during the early stage of pregnancy might be the main cause of neural tube defects and that the use of periconceptional vitamin supplements may reduce the incidence of neural tube defects by half, he said.

The Sino-U.S. project will conduct a randomized controlled trial to determine whether vitamins, taken before pregnancy begins and during the first trimester, prevent spina bifida and anencephaly.

According to Peng, the project will recruit 65,000 newly wed women in the rural areas of high incidence regions of Hebei, Beijing and Shanxi in northern China and the low incidence regions of Jiangsu and Zhejiang in east China.

### **Northeast Asia**

#### **Li Peng, Japan's Fukuda on Upcoming Kaifu Visit**

*OW1607164091 Beijing XINHUA in English  
1422 GMT 16 Jul 91*

[Text] Beijing, July 16 (XINHUA)—Chinese Premier Li Peng said today that although some parts of China are plagued by serious flooding at present, with the help of the rest of the nation the people in these region are fully confident of conquering the disaster and overcoming any associated difficulties.

Li made the remark during a meeting with Japanese Home Affairs Minister Akira Fukuda and his party here this afternoon.

Sources from the Foreign Ministry said that Li thanked the Japanese Government and people for their sympathy and donations.

He said traditionally in China when one section of the country faces natural disasters assistance arrives from all corners.

With the strong support and assistance of the entire nation the people in the flood-stricken areas are striving to overcome the floods, he said. "We are confident they will be successful."

Fukuda expressed his sympathy over the losses that part of China is suffering as a result of the current flooding.

The Japanese minister conveyed the greetings of Japanese Prime Minister Toshiki Kaifu to Li Peng, and told Li that prior to his present China tour he had met with Kaifu who is looking forward to his China visit scheduled for August.

Li said that he, too, is looking forward to Kaifu's visit, and expressed his belief that the upcoming visit would play an important role in enhancing friendly Sino-Japanese relations and cooperation.

Fukuda said that the aim of his current China tour is to work out a plan to strengthen exchanges between the youth of the two nations, which was initiated in May by former Japanese Prime Minister Noboru Takeshita.

Li described the plan as being "of great significance," and said that it would help to educate the younger generations of the two countries to ensure that the Sino-Japanese friendship is passed on from generation to generation.

The premier stressed that the Chinese Government would provide positive support and cooperation for the plan. Li requested that Fukuda convey his best wishes to Kaifu and Takeshita when he return to Japan.

### Youth Exchanges Discussed

OW1607115591 Tokyo NHK General Television  
Network in Japanese 1000 GMT 16 Jul 91

[Text] Japanese Home Affairs Minister Fukuda, now visiting China, met today with Chinese Premier Li Peng. At the meeting, Minister Fukuda told Premier Li Peng that Japan would invite 250 Chinese youths from various Chinese provinces to Japan in coming December to expand exchanges between youths of Japan and China. The meeting was held in the Zhongnanhai.

During the meeting, Minister Fukuda told Premier Li Peng that as part of next year's events marking the 20th anniversary of the establishment of diplomatic relations between the two countries, local autonomy governments in Japan would invite several promising Chinese youths to Japan for one year to learn about the Japanese local administration and invite 250 Chinese youths, now playing key role in community building activities in China, to Japan for 10 days in coming December.

In response, Premier Li Peng expressed his gratitude for Japan's plans to invite Chinese youths to Japan, saying: It is important to promote exchanges between youths of the two countries and I am greatly interested in such exchanges.

At the meeting, Premier Li Peng also said that he wholeheartedly welcomed Prime Minister Kaifu's planned visit to China beginning 10 August and expressed his gratitude for Japan's relief aid to more than 100 million victims of the Yangze River flooding.

### Wang Zhen Meets Japanese Business 'Friend'

OW1607150291 Beijing XINHUA in English  
1317 GMT 16 Jul 91

[Text] Beijing, July 16 (XINHUA)—Chinese Vice President Wang Zhen said here today that there exists great potential for economic and technological cooperation and trade between China and Japan.

Wang, also honorary president of the China-Japan Friendship Association, made the remark in his meeting with Kobayashi Ryuji, president of Japan's Toko Bussan Co., Ltd., who is on his 130th visit to China since 1955.

Wang called Ryuji an "old friend" of the Chinese people, who had done much to promote friendship between the two countries and two peoples and bilateral trade.

Ryuji said that Wang had made important contributions to the friendship between the two peoples and the two nations, adding that that [as received] he expected further consolidation and development of the Japan-China friendship, with the coming of the 20th anniversary of the normalization of the two countries' relations.

Ryuji said he will continue to make efforts for developing the friendship between the two countries.

Present was Sun Pinghua, president of the China-Japan Friendship Association.

### Peng Chong Meets DPRK Goodwill Delegation

OW1607124391 Beijing XINHUA in English  
1149 GMT 16 Jul 91

[Text] Beijing, July 16 (XINHUA)—Peng Chong, vice-chairman of the National People's Congress [NPC] Standing Committee, met with a goodwill delegation of Yanggang Province of the Democratic People's Republic of Korea headed by Pak Song-ho [name as received], vice-chairman of the Administrative and Economic Guidance Committee at the Diaoyutai State Guesthouse here today.

At the invitation of the Jilin Provincial Government, the Korean guests arrived in China July 9 to attend the celebrations of the 30th anniversary of the signing of the treaty of friendship, cooperation and mutual assistance between China and the DPRK.

## Southeast Asia & Pacific

### Cambodian SNC Talks Continuing in Beijing

#### Li Peng To Meet Leaders

OW1607145891 Tokyo KYODO in English 1433 GMT  
16 Jul 91

[Text] Beijing, July 16 KYODO—Leaders of Cambodia's warring factions meeting here Tuesday were unable to agree on the size of a proposed U.N. observer team that would monitor a ceasefire in the strife-torn country.

Prince Norodom Sihanouk, who presided over the unofficial meeting of the Supreme National Council (SNC), hinted at a press conference that the Heng Samrin government in Phnom Penh is avoiding debate on the latest peace proposal put forward by the U.N. Security Council (UNSC).

Sihanouk also indicated that a meeting of SNC members and representatives of the five permanent members of the UNSC scheduled for Thursday has been called off at the request of Hun Sen, prime minister of the Heng Samrin government.

Sihanouk said he will meet the five as well as representatives of France and Indonesia, the two countries which cochair the Paris International Conference on Cambodia, on Wednesday.

The Heng Samrin government raised objections to the U.N. peace proposal during an SNC meeting in Phatthaya, Thailand, last month.



The Khmer Rouge requested a U.N. observer team of 600 but the Heng Samrin government is pressing for the formation of an SNC armed services committee and a small U.N. team.

Sihanouk is seeking agreement on a compromise proposal for an observer team of 200, informed sources said.

The sources said representatives of the Heng Samrin government and the most powerful of the opposition factions, the Khmer Rouge, clashed over reported fighting between their forces in northwestern Cambodia this month.

The factions agreed to an indefinite truce last month.

The U.N. plan set up the SNC and calls for U.N. supervision of a ceasefire, disarmament, and eventual elections in Cambodia.

The Beijing meeting is also discussing the composition of a team of SNC representatives, led by Sihanouk, to go to the U.N. General Assembly meeting in September.

The opposition coalition and Heng Samrin government agreed in principle that they should each have the same number of representatives. An announcement on the proposal is expected Wednesday.

In addition to the Phnom Penh-based Heng Samrin government, installed by Vietnam in 1978, and the Chinese-backed Communist Khmer Rouge, the SNC includes the noncommunist Khmer People's National Liberation Front and a faction led by Sihanouk.

The Chinese Foreign Ministry said Tuesday Chinese Premier Li Peng will meet representatives of all Cambodian factions after the SNC meeting.

It will be Li's first meeting with Hun Sen, who is in Beijing as a member of the SNC.

#### **'Impromptu' Sihanouk Speech**

*OW1607115191 Beijing XINHUA in English  
1127 GMT 16 Jul 91*

[Text] Beijing, July 16 (XINHUA)—Prince Norodom Sihanouk announced here today that as from November 1991, meetings of the Supreme National Council (SNC) of Cambodia will be held in Phnom Penh, the capital of Cambodia.

The announcement was contained in the English summary of an impromptu speech by Sihanouk, convener and chairman of the SNC meetings, which was released here today.

In his speech, Sihanouk expressed his thanks to the SNC members present for having accepted his invitation to come to Beijing to participate in this informal gathering.

He said, "as the international community wishes and expects, we could as promptly as possible find a good compromise concerning the peace plan of the Perm-5

(draft agreement of November 26, 1990), as all the factions have already accepted the framework-document of August 28, 1990."

Sihanouk stressed although the current gathering in Beijing is not a full meeting of the SNC of Cambodia, that should not prevent those present "to search for a compromise or for satisfactory solutions regarding those issues which remain to be settled".

"As your chairman," he said, "I shall remain neutral and impartial and I shall not try to influence your deliberations one way or the other. I shall be at your disposal to help you to reach mutual understanding and to achieve success in your deliberations for the salvation of our motherland and our unfortunate people."

Sihanouk thanked the Chinese Government and people for their generous hospitality and splendid arrangements made available for this informal inter-Cambodian gathering.

#### **Dinner for Ranariddh**

*OW1607125291 Beijing XINHUA in English  
1235 GMT 16 Jul 91*

[Text] Beijing, July 16 (XINHUA)—Prince Norodom Sihanouk, chairman and convener of the meeting of the Supreme National Council (SNC) of Cambodia, met with and hosted a dinner for SNC member Prince Norodom Ranariddh and his entourage at his residence here this evening.

Ranariddh is here attending a working meeting of the SNC which started today under the chairmanship of Prince Norodom Sihanouk.

#### **Press Release Notes Progress**

*OW1707073791 Beijing XINHUA in English  
0712 GMT 17 Jul 91*

[Text] Beijing, July 17 (XINHUA)—Norodom Sihanouk, chairman and convener of the Cambodian Supreme National Council (SNC) meetings, said in a press release here today that agreements were reached on some important issues at yesterday's SNC working meeting.

The agreements include:

- The next formal SNC meeting, with the participation of the 12 SNC members, will be held in Bangkok, Thailand, August 26, 27 and 28, 1991.
- A delegation headed by Prince Norodom Sihanouk will attend the forthcoming U.N. General Assembly with members of the delegation Hor Nam Hong, Hun Sen, Khieu Samphan and Son Sann.
- A letter from the SNC will be forwarded, signed by Prince Norodom Sihanouk in his capacity as convener and chairman of the SNC meetings, to the secretary general of the United Nations requesting the dispatch of a U.N. survey mission to evaluate the modalities of control and an appropriate number of U.N. personnel

to control the ceasefire and the cessation of foreign military aid in co-operation with the SNC military working group.

#### **Compromise on SNC Chair**

*HK1707052591 Hong Kong AFP in English 0454 GMT 17 Jul 91*

[Text] Beijing, July 17 (AFP)—Prince Norodom Sihanouk is to resign as the head of the Cambodian resistance and become the neutral chairman of a national council of reconciliation, it was announced here Wednesday.

In a joint statement with the prince, Cambodian Premier Hun Sen agreed to drop an earlier demand that he be made vice-chairman of the Supreme National Council (SNC), which represents Cambodia's sovereignty.

In return, Prince Sihanouk agreed to resign as president of the resistance and "from now on to stand neutral, acting as a conciliator without belonging to any faction or political party."

The agreement between the two rivals, which had not yet received the backing of the three-party resistance, would pave the way for smooth functioning of the SNC, which opened a two-day meeting here Tuesday.

The former Cambodian monarch said his successor as resistance leader would be elected by the three factions, the Khmer Rouge and two smaller non-communist groups.

The statement said the two leaders considered the agreement "the best solution for putting an end to hostility between the Cambodian parties in the conflict through Prince Sihanouk's neutral and conciliatory role."

"Therefore," it added, "Prince Sihanouk and Hun Sen urge the other members of the Supreme National Council of Cambodia to support this agreement."

The resistance has been fighting the Phnom Penh government since it was installed by Vietnam in 1979 after the overthrow of the pro-Beijing Khmer Rouge.

#### **Sihanouk Resigns From Resistance**

*HK1707081891 Hong Kong AFP in English 0758 GMT 17 Jul 91*

[Text] Beijing, July 17 (AFP)—In a key compromise, the Cambodian factions said here Wednesday that Prince Norodom Sihanouk had resigned as resistance leader and now headed the Supreme National Council (SNC).

"I am chairman of the SNC," Prince Sihanouk said of the council charged with guiding Cambodia towards peace. "I have resigned from all my positions (in the resistance). I am neutral now. I have no party, I have no army."

The decision was unanimously accepted here at an informal two-day meeting of the SNC, which groups six resistance and six Phnom Penh government delegates and represents Cambodia's sovereignty.

The SNC also agreed that it would start functioning from November in Phnom Penh, hold its next formal session in Bangkok from August 26-28 and decide on the make-up of the Cambodian delegation to the U.N. General Assembly in September.

Meanwhile, it sent a letter to U.N. Secretary General Javier Perez de Cuellar asking him to dispatch a team to Cambodia to determine how many U.N. personnel were needed to monitor a ceasefire and cessation of foreign military aid, the prince said.

Under the SNC compromise, Cambodian Premier Hun Sen agreed to drop an earlier demand that he be made vice-chairman of the 12-member SNC if the prince was named chairman.

In return, however, the three-party resistance agreed not to add another seat for Prince Sihanouk, making him instead the 12th member.

If the prince's claim of neutrality were true, the Phnom Penh government would have a one-seat advantage in the SNC, although all members on the council have veto power.

Also Wednesday, representatives of the five permanent members of the U.N. Security Council—Britain, China, France, the Soviet Union and the United States—opened a meeting here to discuss a U.N. peace plan for Cambodia.

Sources close to the SNC meeting said that besides agreeing to allow a U.N. survey team to visit Cambodia no progress on implementing the U.N. plan was made.

Phnom Penh wants modifications to the plan that would prevent a return to power of the Beijing-backed Khmer Rouge, which has so far demanded full implementation of the plan.

#### **Thailand Seeks Establishment of SNC Mission**

*OW1707054491 Beijing XINHUA in English 0510 GMT 17 Jul 91*

[Text] Bangkok, July 17 (XINHUA)—Thailand wants to be the first country to establish a diplomatic mission accredited to the Supreme National Council (SNC) in Phnom Penh, Thai Prime Minister Anand Panyarachun said last night, Thai English-language newspaper THE NATION reported today.

Thai Foreign Ministry's spokesman Sakthip Krairik said that the prime minister mentioned his government's desire at a meeting with Phnom Penh house speaker Chea Sim, who stopped over here Tuesday for an overnight stay after a four-day visit to Tokyo.

Anand was quoted as telling Chea Sim that the wish of his country was based on the fact that Thailand has made positive contributions to Cambodian peace process and wants to be a good neighbor.

**PLA Deputy Chief Meets Thai Military Leader***OW1607164991 Beijing XINHUA in English  
1459 GMT 16 Jul 91*

[Text] Beijing, July 16 (XINHUA)—General Xu Xin, deputy chief of General Staff of the Chinese People's Liberation Army (PLA), met with General Suchinda Khrapayun, commander-in-chief of the Thai Royal Army here this evening.

General Suchinda and his party arrived here earlier today. They have also brought along the 200,000 U.S. dollar-worth of relief goods the Thai Government has donated to China's flood-stricken areas. A hand-over ceremony for these goods is scheduled for July 18.

Before the meeting, Xu presided over a welcoming ceremony for Suchinda.

After the meeting, Xu hosted a banquet for the guests.

The guests will also visit Hangzhou and Shanghai.

**Flood Relief Donation***OW1707053791 Beijing XINHUA in English  
0424 GMT 17 Jul 91*

[Text] Bangkok, July 17 (XINHUA)—Two Thai Airforce transport planes carrying relief goods and materials left here for Beijing this morning to help victims of the flood-stricken areas in east China, a Thai military official said.

Thai Army chief General Suchinda Khrapayun, who is now in Beijing, will represent Thailand at the presentation of relief supplies to the Chinese Government, the official said.

The relief aid worth about 2.5 million baht (100,000 U.S. dollars) included medicines, tents and blankets to help ease the plight of the victims of the July 2 flood in China's Anhui, Jiangsu and Henan Provinces.

Supreme Commander of the Thai Armed Forces General Sunthorn Khongsomphon will lead another relief supply delegation to China in the near future.

**Qian Qichen Departs for Malaysia Visit***OW1707083791 Beijing XINHUA in English  
0801 GMT 17 Jul 91*

[Text] Beijing, July 17 (XINHUA)—Chinese State Councillor and Foreign Minister Qian Qichen left here for Kuala Lumpur by air today for a friendly visit to Malaysia at the invitation of Foreign Minister Datuk Abdullah Badawi of Malaysia.

Qian will also attend the opening ceremony of the ASEAN ministerial meeting upon invitation and meet with the foreign ministers of the ASEAN countries to exchange views on China becoming one of the dialogue countries with ASEAN countries and on other issues.

Qian was seen off at the airport by Vice-Foreign Minister Xu Dunxin, Malaysian Ambassador to China Datuk Noor Adlan Yahayauddin and diplomatic envoys of other ASEAN countries to China.

**First Singapore Ambassador Presents Credentials***OW1607135291 Beijing XINHUA in English  
1246 GMT 16 Jul 91*

[Text] Beijing, July 16 (XINHUA)—Cheng Tong Fatt, first Singapore ambassador to China, presented his credentials to Chinese President Yang Shangkun at the Great Hall of the People here today.

Cheng arrived here July 12.

**Envoy to Singapore Appeals for Flood Relief***OW1707075891 Beijing XINHUA in English  
0729 GMT 17 Jul 91*

[Text] Singapore, July 17 (XINHUA)—Chinese Ambassador to Singapore Zhang Qing this morning appealed to the Singaporean Government and people for humanitarian relief to the flood-stricken areas in China.

Zhang Qing gave a brief account at a press conference of the situation and heavy losses in 18 of the 30 provinces (autonomous regions) in China, particularly in the two most flood-affected provinces of Anhui and Jiangsu in east China.

Though the Chinese Government institutions at all levels have made great efforts, there are still many difficulties involved to cope with the needs of the flooding areas. So the Chinese Government launched an urgent appeal to Singapore as well as to the international community for immediate humanitarian relief and long- or medium-term rehabilitation aid to the victims in the seriously flood-affected areas in China, the ambassador said.

Many Singaporean friends and business people have made phone calls to the Chinese Embassy, expressing their willingness to offer some contributions to the flood victims in China, he added.

**Philippine Chinese Give Money to Flood Victims***OW1607172291 Beijing XINHUA in English  
1433 GMT 16 Jul 91*

[Text] Manila, July 16 (XINHUA)—Chinese Filipinos in Manila have donated since Sunday 9,214,400 pesos (about 329,000 U.S. dollars) to east and central Chinese provinces and cities which are suffering from the worst flooding in the current century.

It was decided at a meeting today that the Federation of Fil-Chinese Chambers of Commerce and Industry, Inc. is to mobilize its members to donate to Chinese compatriots who are suffering from the unprecedented flooding.

All the participants at the meeting warmly responded and made their donations right away. Among the big



donors were Lucio C. Tan, chairman of the Allied Banking Corporation, who donated one million pesos (about 35,700 U.S. dollars), and Yao Eng Hue, president of the Federation of Fil-Chinese Chambers of Commerce and Industry, Inc., who donated 100,000 pesos (about 3,570 U.S. dollars).

The total donations made at the meeting came to 2.19 million pesos (about 78,200 U.S. dollars).

### Near East & South Asia

#### Li Peng Cited on Mideast Arms Control

HK1707051591 Beijing RENMIN RIBAO in Chinese  
15 Jul 91 p 1

["Dispatch" by reporters He Chongyuan (0149 1504 0337) and Lu Zhixing (0712 1807 2502): "Li Peng Expounds on Three Principles on Middle East Arms Control in Interview in Syria"]

[Text] Damascus, 13 Jul (RENMIN RIBAO)—Answering questions raised by reporters at a news conference held in Syria tonight, Premier Li Peng expounded China's three principles on the question of arms control in the Middle East.

Premier Li Peng said: China's position on arms control in the Middle East may be summarized in the following three points:

1. Arms control in the Middle East should abide by the principle of comprehensiveness and equilibrium and should be fair and rational. Double standards should not prevail on the question of arms control in the Middle East. By comprehensiveness, it means that all countries in the region should be treated on the same terms. Control should not be imposed on some countries while others are not only free from control, but even provided with a large amount of weapons. Comprehensiveness also has another level of implication, namely, that all weapons are covered; it does not mean that only one type of weapon is restricted while certain more advanced ones are not. Equilibrium means that the existing inequilibrium should not be aggravated, nor should new inequilibrium be created. We maintain that there already exists in the Middle East a great imbalance of military power. Arms control should result in the balance of power and not greater imbalance.

2. The Middle East should be transformed into a region free of weapons of mass destruction (free from nuclear, biological, and chemical weapons).

3. Arms control in the Middle East should be linked to the Middle East peace process. Arms control is a means to achieve the objective of justice and lasting peace in the Middle East.

#### Prospects, Success of Li Mideast Visit Viewed

#### RENMIN RIBAO Editorial

OW1507195391 Beijing XINHUA Domestic Service  
in Chinese 1551 GMT 15 Jul 91

[Text] Beijing, 16 Jul (XINHUA)—RENMIN RIBAO today [16 July] published an editorial "A Trip of Peace, Friendship, and Cooperation," warmly congratulating Premier Li Peng on his successful visit to six countries in the Middle East and Gulf region. The full text of the editorial is as follows:

#### A Trip of Peace, Friendship, and Cooperation

Warmly congratulating Premier Li Peng on his successful visit to the six countries in the Middle East and Gulf region

After successfully winding up his official visit to six nations in the Middle East and Gulf region, Premier Li Peng returned to Beijing yesterday, carrying with him the profound friendship of the people of those six nations. The visit by Premier Li Peng was an important diplomatic move taken by the Chinese Government to strengthen China's unity and cooperation with developing countries. The visit has opened up a new chapter in the history of friendly relations and cooperation between China and nations in the Middle East and the Gulf region and will produce a positive impact on peace and stability in the Middle East and Gulf region. We warmly congratulate him on his successful visit.

During his 13-day trip to the Middle East and Gulf region, Premier Li Peng traveled thousands of miles to visit the Arab Republic of Egypt, the Hashemite Kingdom of Jordan, the Islamic Republic of Iran, the Kingdom of Saudi Arabia, the Syrian Arab Republic, and the State of Kuwait at the invitation of those countries. He was solemnly and warmly welcomed and received by the governments and peoples of those six countries. During the visit, Premier Li Peng, with the purpose of deepening mutual understanding, friendship, and cooperation, had profound and frank exchanges of views with leaders of the six nations on further strengthening bilateral relations, and on international issues of common interest, and reached consensus with the leaders on a wide range of issues. Moreover, he and the six nations also issued joint communiques or press communiques separately. Leaders of the six nations briefed Premier Li Peng on the domestic situation in and the foreign policies of their respective countries. Premier Li Peng briefed them on the great changes that have taken place in China since the introduction of the reform and opening policy, and also on the basic characteristics of China's 10-Year Program. This enabled the leaders of the six nations to have a better understanding of the current situation of political stability and economic development in China. Premier Li Peng and the relevant ministers accompanying him on the visit had an earnest

discussion with the leaders of the six nations and responsible persons of their relevant departments on developing bilateral relations, including economic and trade relations. The Chinese side maintained that there was great potential for developing mutually beneficial cooperation, while the six nations noted that they had a sincere desire to further develop their relations with China. During the visit, China and the relevant countries signed a number of documents aimed at developing cooperation in the fields of economy, science and technology, and culture. All these have created conditions for the further development of friendship and cooperation between China and the six nations.

The Middle East issue is one of the issues of great interest to both the people in the region and the people in other parts of the world. Premier Li Peng had a profound exchange of views with the leaders of the six nations on this issue. They reached consensus on this issue. They agreed that the Middle East issue should be resolved on the basis of the U.N. Security Council Resolutions 242 and 338, and that the key to resolving the issue is the Israeli withdrawal from all the occupied Arab territories and the restoration of the national rights of the Palestinian people. Meanwhile, the sovereignty and security of all countries in the Middle East region should be respected and guaranteed. Political means are the only way to attain these goals. A UN-sponsored international conference participated in by the five permanent members of the UN Security Council should be convened at an appropriate time to seek a complete solution to the Middle East issue. Before an international conference on this issue is convened, all efforts beneficial to pushing forward the Middle East peace process and to the realization of just and permanent peace in the region should be backed and encouraged.

Premier Li Peng's Middle East tour coincided with consultations between the five permanent UN Security Council members over the issue of arms control in the region, which has become an important matter that has attracted world attention. Premier Li Peng exchanged views on this matter with the leaders of the six nations and expounded to them the Chinese Government's three-point stand toward arms control in the Middle East: First, Middle East arms control should follow the principle of comprehensiveness and balance and should pursue fairness and reasonableness. By comprehensiveness, it means that all countries in the region should be treated equally without discrimination [yi shi tong ren 0001 6018 0681 0088]; arms control should not be applied only to some countries. Not only is no control being exercised on other countries, but large quantities of weapons are being supplied to them. Also meant by comprehensiveness is that all kinds of weapons should be included. By balance, it means that arms control should neither aggravate the current military imbalance nor create new imbalances in the region. Second, the Middle East should become a region free from weapons of mass destruction (nuclear weapons, biological weapons, and chemical weapons). Third, Middle East

arms control should be tied to the peace process in the region. Arms control is a means, and its end is to seek a just and permanent peace in the region. China's above-mentioned stand was universally welcomed and appreciated by the leaders of the six nations.

At a time when the world's old order is being replaced by a new order, what kind of political and economic order is to be established concerns the world's future and destiny. After exchanging views, Premier Li Peng and the leaders of the six nations held identical views—that a new international political and economic order should be established on the basis of the principles of mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. The essence of these principles is that every country has the right to choose the social system, ideology, and way of development suitable to its national conditions. The affairs of a country should be administered by the people of that country, and no interference by foreign countries should be permitted under any pretext. All countries, big or small, are equal members of the international community, and international affairs should be handled by all countries through consultations. Current unreasonable international economic relations should be replaced by new ones based on equality and mutual benefit. The new order as such will be conducive to peace, stability, and world development. The above-mentioned consensus was contained separately in the joint communiques issued between China and the six nations.

Premier Li Peng's Middle East tour has brought about important achievements. This was a trip of peace, friendship, and cooperation. We are convinced that with the impetus brought about by the visit, friendly relations and cooperation between China and the six nations, as well as the traditional friendship between the Chinese people and the peoples of the six nations, will certainly develop further.

#### **'Guest Commentator'**

*OW1407023991 Beijing BEIJING REVIEW in English  
No 27, 8-14 Jul 91 pp 4-5*

[Article by BEIJING REVIEW guest commentator Ming Dajun: "Tour Promotes Ties With Middle East"]

[Text] At present, Chinese Premier Li Peng is making a 12-day official visit to the Middle East. The tour (July 2-14) will take him to Egypt, Jordan, Iran, Saudi Arabia, Syria, and Kuwait.

It is the first time since the outbreak of the Gulf War almost a year ago that a top Chinese government leader visits the region in a significant diplomatic move to consolidate and develop traditional ties and cooperation. His tour will strengthen bonds with Third World countries.

Li's brief sojourns in Iran and five Arab countries, destined to enhance mutual understanding, friendship and cooperation, will provide a fine opportunity to expound China's

independent foreign policy of peace and to brief the hosts on its views on major international issues.

The Middle East question will be one of the issues brought into focus in Li's deliberations with the hosts. China is not directly involved in the Arab-Israeli conflict; however, as a great power and a permanent member of the United Nations Security Council, it is duty-bound to play a positive role in helping settle this problem of global concern.

In his visit, the Chinese premier is expected to emphasize the importance of unity among the Arab countries and extend support for their efforts to remove differences and iron out grievances.

China consistently stands by the Palestinian and other Arab people in their cause of justice and shares identical views with the Arab countries on the Middle East issue. Israel must withdraw from the occupied territories and the Middle East issue should be settled through political means. China maintains that the Palestinian people's right to self-determination and Israel's right to existence should be respected and guaranteed. China is in favour of convening an international peace conference on the Middle East under UN auspices with participation by all parties concerned and the five permanent members of the UN Security Council.

Li Peng and leaders of the host countries will exchange views on other international issues of mutual concern, especially the Gulf problems.

Post-Gulf war arrangement in the Middle East has become one of the major concerns of the world and inspired a host of proposals from many countries. It is China's consistent stand that regional problems should be settled through negotiations and consultations among countries in the region, that the internal affairs of a country brook no interference by any other country, and that a country's independence, sovereignty, and territorial integrity should command the respect of all other countries.

China and the six Middle East countries share identical views on the establishment of a new international order. China stands for the establishment of a new international order on the basis of the principles of mutual respect for sovereignty and territorial integrity, mutual nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. Premier Li is expected to seek common grounds on this issue with his counterparts and try to coordinate positions and actions in this regard.

Egypt, a country of tremendous influence in the Middle East and Africa, is Li Peng's first stop. During his four-day visit to Egypt, Premier Li met with President Muhammad Husni Mubarak, who paid a visit to China in May 1990. Premier Li visited this ancient country as vice-premier in March 1986.

At the invitation of the Jordanian Government, Li Peng will pay a two-day visit to Jordan, an important party to the

Middle East issue. He plans to discuss with King Husayn Bin-Talal international issues of mutual concern.

According to the schedule, Li will visit Iran at the invitation of President 'Ali Akbar Hashemi-Rafsanjani on July 7-9. China and Iran have been in frequent contact in recent years. Their annual trade volume reached U.S.\$270 million in 1987. China exports to Iran mainly machinery, metals, mineral products, light industrial, and chemical products. Crude oil accounts for about 80 percent of its imports from Iran. There is a broad prospect for furthering economic cooperation between the two countries.

Li Peng will be China's first head of government to visit Saudi Arabia. The two countries established diplomatic relations last July. While in Saudi Arabia, the fourth stop of his Middle East tour, Li will hold talks with King Fahd Bin-'Abdul 'Aziz, who is also prime minister, on the Middle East issue and on bilateral cooperation.

Li's fifth stop will be in Damascus. The premier will be the highest Chinese official ever to visit Syria. Earlier this year, Qiao Shi, member of the Standing Committee of the Political Bureau of the Central Committee of the Chinese Communist Party, paid an official visit to this country. Li will meet with President Hafiz al-Asad and Prime Minister Mahmud al-Zu'bi.

Li Peng will wind up his six-nation tour in the Kuwait City. Invited by Kuwaiti Prime Minister and Crown Prince Shaykh Sa'ad al-'Aballah al-Salim al-Sabah, he will pay a one-day visit to Kuwait, a country frightfully ravaged by the Gulf war. In the wake of the war, China has sent a group of fire-fighting experts to help put out the oil fires set by Iraqi troops.

The five Arab countries and Iran are ancient countries with long histories of friendship with China. Their friendship can be traced 2,000 years. They shared similar historical experiences and are facing the same task of national development. China and these countries can supply each other's needs through economic cooperation and trade. They all belong to the developing countries and hold identical or similar views on many international issues. There is, therefore, a bright prospect for promoting mutual ties.

#### TA KUNG PAO Column

HK1407055391 Hong Kong TA KUNG PAO  
in Chinese 10 Jul 91 p 2

["Political Talk" column by Shih Chun-yu (2457 0689 3768): "Li Peng Arrives in Saudi Arabia for Visit Yesterday"]

[Text]

#### Fourth Leg of His Mideast Trip

Chinese Premier Li Peng and his entourage arrived in Saudi Arabia yesterday after visiting Egypt, Jordan, and Iran. He held formal talks with Saudi King Fahd the same day. Li



Peng made clear the main theme from the very beginning by saying: "Saudi Arabia is an important country in the Mideast and the Gulf, and constitutes a major factor for regional peace and stability. China attaches great importance to the development of friendly relations with Saudi Arabia. My current visit is aimed at promoting the development of the two countries' relations."

Saudi Arabia is the fourth leg of the Chinese premier's Mideast trip. China and Saudi Arabia established diplomatic relations in July last year. In August, Saddam Husayn sent his troops to invade Kuwait, and Saudi Arabia was facing a critical situation. However, Sino-Saudi relations still developed rapidly over the past year. Saudi Arabia has become China's largest trading partner in the Gulf region. Prince Sultan, Saudi deputy prime minister and defense and aviation minister, said he hoped Premier Li Peng's current visit "will become a new starting point in the development of Saudi-Chinese relations and will promote the continuous advances of the two countries' economic and trade relations."

#### **Crisis Remains Unsettled in the Wake of the Gulf War**

Over a long time in the past, the Mideast and Gulf region used to be the main arena for contention for spheres of influence between the two superpowers, the United States and the Soviet Union. In addition, during the more than 40 years since the end of World War II, as Israel insisted on occupying Arab territories and refused to withdraw by relying on its military force, and the Palestinian people were deprived of the right of life, the Middle East was plagued with endless conflicts and disputes. A major underlying reason for the outbreak of the Gulf war was Israel's occupation of the Arab territories. Therefore, after Saddam Husayn sent his troops to occupy Kuwait, he claimed that he would not negotiate his withdrawal from Kuwait until Israel withdrew from the Arab territories. However, Saddam Husayn was still punished because his aggression infuriated the international community. However, the Mideast and Gulf nations still deeply felt the existence of the crisis after the end of the Gulf war, and found that the situation became more complicated. Under the pretext of preventing another Iraqi act of aggression, the United States continues to maintain a posture of engaging in armed interference in the Mideast. Israel still refuses to withdraw from the occupied Arab territories and to attend the proposed international conference on Mideast peace. The PLO is also facing unprecedented difficulties, because 'Arafat offended such moderate nations in the Mideast and Gulf region as Egypt, Kuwait, and Saudi Arabia by supporting Saddam Husayn's invasion. The Soviet Union has no strength to have a hand in Mideast affairs because it is bogged down in domestic economic difficulties. All this has tilted the Mideast situation in favor of the U.S.-Israeli force.

#### **Wars May Still Break Out in the Mideast**

Such oil producing Gulf nations as Saudi Arabia and Kuwait are small and weak nations. They fear both Iraq's

aggression and the export of an Islamic revolution from Iran; neither likes the Palestinian radical factions, which may stage subversion and armed revolution. So they can only tread a pro-U.S. line. In the wake of the Gulf war, Israel expanded its power and influence, and posed new threats against them. Wars may still break out in the Mideast region.

As one of the permanent members of the UN Security Council, China always holds a just position on the Mideast crisis, which has been deeply appreciated by various parties concerned. At present, to solve the Mideast problems, Israel must be urged to give up its occupation of the Arab territories, and the Palestinian people must be allowed to set up their own state. Only thus can the disputes be thoroughly solved.

During the current visit to the Middle East, Li Peng and Qian Qichen stressed the need to convene a Middle East peace conference with the participation of the UN Security Council's five permanent members to finally settle the Mideast problems. At the same time, China also supports all bilateral and multilateral efforts that are favorable to the comprehensive, fair, and reasonable settlement of the Middle East issue, and supports the proposal for balanced disarmament in the Middle East and the establishment of a nuclear-free region there. All four nations that Li Peng has visited so far expressed agreement with China's position on settling the Mideast crisis.

In the final analysis, as long as Israel refuses to withdraw from the Arab territories and prohibits the Palestinian people from establishing their own state, the Mideast crisis will continue to exist. Under today's situation, the international community will still have to make painstaking efforts in order to make Israel agree to attend the Middle East peace conference and to withdraw from the occupied territories. However, justice will eventually defeat evil, and peace based on justice will eventually appear in the Middle East.

#### **'Round-Up' on Reactions to Syrian Decision**

OW1607142891 Beijing XINHUA in English  
1035 GMT 16 Jul 91

["Round-Up: Arabs Hail Syrian Decision, Baker Due In Mideast Again (by Zhu Jiefei)"]—XINHUA headline]

[Text] Cairo, July 16 (XINHUA)—Arab countries have expressed welcome to Syria's decision to accept U.S. proposals for Middle East peace and said the onus was now squarely on Israel to start peace talks.

Syrian President Hafiz al-Asad, in a letter to U.S. President George Bush Sunday, said he found Bush's idea for a peace conference is "positive and balanced and constitutes an acceptable base" to achieve a peace process in the Middle East.

Washington's plan envisages a peace conference involving Arabs and Israel under the U.S. and Soviet auspices and meanwhile direct peace talks between Israel and Palestinians.

"We welcome Syria's answer because Syria's participation in the peace process is very important," Egyptian Foreign Minister 'Amr Musa said.

He said he would be having talks with Palestinian, Syrian and Israeli officials before any peace meeting begins.

"We must concentrate efforts in the coming period on securing a positive reply from Israel, in order to begin the peace talks," said Usama al-Baz, senior advisor to Egyptian President Husni Mubarak.

"With the Syrian reply, the Arab side has taken all required steps. It is now for Israel to shoulder its responsibilities for the peace process," he added.

The Palestine Liberation Organization (PLO), in a statement issued in Tunis, said that it appreciates the Syrian positive response.

Abu Sharif, top advisor to PLO Chairman Yasir 'Arafat, called for frontline Arab leaders to meet to coordinate their positions.

Abu Mazin [Mahmud 'Abbas], member of the PLO Executive Committee, who is visiting Cairo, said that Egypt, Jordan, Syria and the PLO have agreed in principle to hold a mini-summit meeting although no date has been fixed.

The Abu Dhabi-based newspaper AL-ITTIHAD said the Gulf Cooperation Council (GCC) welcomed the Syrian decision, describing it as "throwing the ball back into the Israeli court."

GCC has earlier expressed willingness to attend the U.S.-proposed peace conference in the name of an observer.

President Bush, while attending the on-going G-7 summit in London, told reporters that he was "grateful" for the Syrian acceptance, saying that it was "a breakthrough" in pushing forward the Mideast peace process.

He said that he has decided to send his Secretary of State James Baker to the Middle East later this week after the G-7 summit.

This will be Baker's fifth Mideast diplomatic shuttle since the end of the Gulf war in late February.

Israel, however, gave a cautious welcome to the Syrian response. A statement from Prime Minister Yitzhaq Shamir's office said that "Israel will stand strong on all its positions and principles" stated by Shamir to President Bush last month.

What Shamir stated reportedly included Israel's insistence on a one-time peace conference to adjourn immediately for direct negotiations and its rejection of a UN role in the talks.

Israel needed to carefully study the Syrian letter, Defense Minister Moshe Arens said, adding that "if Syria was ready to begin direct negotiations with Israel for peace, then this is a very encouraging sign."

Damascus Radio said Sunday in a commentary that Syria's positive response to Bush's proposals conforms to the country's desire to "achieve peace without compromising or bargaining on Arab lands."

Al-Asad expressed satisfaction with Bush's proposals, which he said were based on UN Resolutions 242 and 338 on securing Israeli return of the Arab lands it captured in the 1967 Middle East War, the radio said.

Observers here believed that the Syrian response was meant to test how far the U.S. would go in pressuring Israel into taking a similar stance, as Israel continues to reject the land-for-peace swap.

### **Nepalese King Sends Sympathy Message to Yang**

*OW1607184791 Beijing XINHUA in English  
1614 GMT 16 Jul 91*

[Text] Kathmandu, July 16 (XINHUA)—King of Nepal Birendra sent today a message of sympathy over the heavy floods in China to Yang Shangkun, president of the People's Republic of China.

The king said in his message that "we are saddened to learn of the considerable loss of life and property caused by the heavy floods in the Yangtze River."

He also extended sympathy and condolence to the affected families on behalf of the government and people of Nepal.

### **Premier's Message to Li Peng**

*OW1707031991 Beijing XINHUA in English  
0224 GMT 17 Jul 91*

[Text] Kathmandu, July 17 (XINHUA)—Nepalese Prime Minister Girija Prasad Koirala has expressed deep sorry and sympathies to the government and people of China on the tremendous loss of life and property in the worst flood of the century.

In a message to Chinese Premier Li Peng, he said, "the Chinese people's strength to withstand the natural disaster and the unity and courage demonstrated by them in facing this unprecedented situation are highly commendable."

The prime minister expressed his confidence that the Chinese people will be successful in their relentless effort in minimizing the damage and in reconstructing the affected areas.

### Sub-Saharan Africa

#### 'Roundup' Hails ANC Congress as 'Milestone'

OW1607052691 Beijing Central People's Radio  
Network in Mandarin 0430 GMT 10 Jul 91

[“Roundup” by XINHUA reporter (Chen Qiming): “A New Milestone for the African National Congress”; from the “International News and Current Events” program]

[Text] The 48th national congress of South Africa's African National Congress [ANC] ended in an atmosphere of combativeness, unity, and pragmatism. The national congress, held between 2 and 7 July in Durban, is a major milestone in the 80-year history of the ANC. This is not only because the congress was held in South Africa for the first time since 1959, but also because it occurred at a historical turning point where darkness will end and the dawn will arrive. Former Chairman Tambo reviewed the long fighting course of the ANC since its passionate establishment in 1912 at the national congress which was attended by some 2,000 representatives who represented some 700,000 members. Former Vice Chairman Mandela summed up the 17 months of ANC work since its legalization and put forward the strategic goals, principles, and policies of the ANC for the new stage. Mandela pointed out that the struggle against racism has not ended. He called on the ANC to guard resolutely against the double-handed policy of peace talks and violence of the South African Government. He stressed the need for a close combination of firm principles, clear strategy, and flexible tactics in the future struggle.

The ANC, which used to stress armed struggle, will shift its emphasis to mass struggle in the future. Its goals are to end racism and establish a new and democratic South Africa. The immediate tasks of struggle are to bring about a multiparty meeting, end violent clashes, establish a transitional government, and elect a constitutional parliament.

A mood of unity between the political and military leaders of the ANC, between the ANC and the Communist Party, between the domestic and foreign factions, and between the new and old generations prevailed during the national congress. The most striking impression that the national congress conveyed to outsiders is the ANC's show of pragmatism, which is a manifestation of political maturity on the part of the ANC. This was not only reflected in the ANC's persistence in the policy of continuing the peace talks and political solutions, but was also reflected particularly in the formation of the leading body. Mandela was elected chairman, Tambo national chairman, and Sisulu vice chairman. This reinforced the image of pragmatism in the highest leading body. Ramaphosa, the newly elected general secretary, is a young trade union leader who is a negotiations expert. Of the 50 elected Executive Council members, 34 were newly elected. It is historically significant that the new leaders of the ANC elected at this national congress form a connecting link between the preceding and following generations of leaders.

The national congress of the ANC marks the beginning of a new period for the South African people in their struggle against racism. It raised the people's confidence and hopes for peaceful prospects in South Africa.



## Political & Social

### Tian Jiyun Praises Work on Behalf of Handicapped

OW1607050591 Beijing XINHUA in English  
0134 GMT 16 Jul 91

[Text] Beijing, July 16 (XINHUA)—Some 600,000 handicapped people have been rehabilitated and 750,000 have found jobs in China in the past three years, today's "PEOPLE'S DAILY" [RENMIN RIBAO] reported.

China set up an organizing committee in 1986 in response to the "U.N. Decade for the Handicapped" (1983-1992). Statistics from a meeting of the organizing committee show that the country has built 820 schools for the handicapped.

The meeting also found that the number of special training classes for the handicapped has doubled in the past three years, while enterprises employing mostly handicapped people have increased to 42,000, the paper said.

In addition, handicapped people now form 0.93 percent of the total workforce in other enterprises in China, the newspaper reported.

At the meeting, Vice-Premier Tian Jiyun attributed the success in helping the handicapped in China to the superiority of socialism. He called on the whole of society to help such people on the road to mutual prosperity.

The meeting of the organizing committee discussed the work for the handicapped in the country's Eighth Five-Year Plan period (1991-1995).

### Hou Zongbin Writes on Party Spirit Principle

HK1607002591 Beijing QIUSHI in Chinese  
No 11, 1 Jun 91 pp 6-11

[Article by Hou Zongbin (0186 1350 6333), Henan Provincial CPC Committee secretary: "Uphold Party Spirit Principle, Maintain Party's Nature As Working Class Vanguard"]

[Text] The CPC has victoriously travelled a brilliant course for 70 years. Its history proves that upholding the Marxist principle of party spirit is a basic issue in party building. At present, properly resolving the issue of upholding the principle of party spirit on both the theoretical and practical levels is extremely important in maintaining the party's nature as the vanguard of the working class, in consolidating the party's position as the party in power, and in leading the people of all nationalities throughout the country in firmly building socialism with Chinese characteristics.

#### I.

Party spirit is an innate and essential characteristic of a political party and is the highest and most centralized manifestation of its class nature. The party spirit of the

proletarian political party is the highest and most centralized manifestation of the class nature, class essence, and class interests of the proletariat. The principle of party spirit is a basic principle which must be upheld in order to maintain the nature of the party as the vanguard of the proletariat. It is a basic requirement put forward to party organizations and party workers on the ideological, political, organizational, and work style levels. The principle of party spirit stipulates the goals and orientation of party building and is a precondition for, and guarantee of, realizing leadership by the party.

The historical experiences of the international communist movement have repeatedly proven that if the proletarian principle of party spirit is upheld, the party will have fighting capacity and cohesiveness and the party's cause will see flourishing development. If not, the party's fighting capacity will be weakened and the party's cause will suffer setbacks and difficulties. Lenin clearly pointed out: "We absolutely cannot allow any nonpartisan manifestation or any action which weakens or confuses party spirit" and: "It is because we uphold party spirit in a principled way... that we must put all our efforts and give all our attention to ensuring that party spirit is not only manifested in our words but also seen in all our actions." (*Complete Works of Lenin* second edition, Vol 19, p 109) It was because Lenin firmly adhered to the principle of party spirit on both the theoretical and practical levels, and engaged in unremitting struggle against the economic faction, the Mensheviks, and the opportunists of the Second International, who negated and renounced the Marxist principle of party spirit, that he was able to guarantee that the Bolshevik Party was unified on the political, ideological, and organizational levels, and was able to lead the Russian people in attaining victory in the October Revolution. After the October Revolution, whether or not the principle of party spirit was adhered to became a basic question affecting whether or not the class nature and advanced nature of the party could be maintained. It was thus a question which continually faced the proletarian political party. In recent years, the main reason the "peaceful evolution" plot by the anticommunist and antisocialist forces has been able to achieve success in some countries is that the leadership strata of the parties in these countries divorced themselves, on major questions, from the principle of party spirit, the most basic principle of a proletarian political party. For example, they changed the nature of their party as the vanguard of the working class, abandoned the party's final goals of struggle, and gradually gave way to the factions opposed to Marxism-Leninism. In addition, they did not do well in economic construction and corrupt phenomena within the party gave rise to dissatisfaction among the masses. This resulted in their party losing its position as the party in power and they forfeited the revolutionary achievements obtained by the proletariat and working people through decades of struggle, thereby bringing serious setbacks to the international communist movement. These serious realities have repeatedly warned us that if we are to maintain the nature of the party as the

vanguard of the working class, and consolidate the party's position as the party in power, we must firmly uphold the principle of party spirit.

Our party is the vanguard of the Chinese working class. It has combined the party-building principles of Marxism-Leninism with the practice of building the party and, in the struggle against rightist and "Leftist" opportunists, gradually formed a clear party spirit principle in order to maintain the nature of the party. In order to use the party spirit principle to unify the will and actions of the whole party, with the support of Comrade Mao Zedong, the party central committee specially compiled the "Decision on Strengthening Party Spirit" in 1941 and, through the rectification movement in Yanan, corrected the subjectivism, factionalism, and party jargon problem which had resulted from the party spirit being impure. Thereby, the party spirit of the whole party was strengthened and a firm base was laid down for victory in the new democratic revolution. After the 3d Plenary Session of the 11th CPC Central Committee, the second-generation party leadership collective, with Comrade Deng Xiaoping as the core, on the basis of the lessons learned from the "Cultural Revolution" formulated "On Certain Standards in Inner-party Political Life", which set down the strengthening of party spirit and doing things in accordance with the party spirit principle as party rules. Since the Fourth Plenary Session of the 13th CPC Central Committee, the party central committee, with Comrade Jiang Zemin as its core, has, through reflecting upon the political turmoil of 1989, further placed in a prominent position the issue of strengthening party building, which includes upholding the party spirit principle. In February of this year, when Comrade Jiang Zemin was inspecting work in Henan, he stressed: "It is necessary to uphold the party spirit principle. Cadres who do not stress the party spirit principle are not good cadres. Leaders who do not stress party spirit are not competent leaders." It is because our party stresses self-building and upholding the party spirit principle, and has always maintained the party's nature as the vanguard of the working class, that it was able to gain an invincible position, pass through the difficulties, and become a powerful core for leading the Chinese people in engaging in socialist revolution and construction.

However, we must soberly recognize that within the party ranks some phenomena of impure party spirit exist. The major of these include: 1) The effects and influences of "engaging in revolution by kicking away the party committee", bourgeois factionalism, anarchism, pernicious excesses of individualism, and other phenomena, which appeared during the "Cultural Revolution" and which tread on the party spirit principle, are still reflected and manifested in some comrades. 2) In recent years, there has appeared the mistaken tendency of diluting and weakening leadership by the party, of downplaying the role of the party, and of relaxing ideological and political work. This has resulted in a situation whereby some party members have a blurred understanding of the position and role of leadership by the party, where some party organizations and party members have not brought their due role into play, and

where a small number of grass-roots organizations have been weak and lax, resulting in paralysis or semiparalysis. These problems need further serious handling and resolution. 3) Under the influence of "peaceful evolution" and bourgeois liberalization, some party members have begun to doubt the historical inevitability of socialism replacing capitalism, some blindly worship the "democracy, freedom and human rights" of the Western bourgeoisie, and others have a hazy understanding and confuse right and wrong on such deep questions as whether to adhere to scientific socialism or engage in capitalism, whether to adhere to a system of multi-party cooperation under the leadership of the Communist Party or follow the bourgeois multi-party system, and whether to adhere to the guidance of Marxism or engage in ideological "pluralization". The phenomenon of corruption which has appeared in a small number of party members has brought quite great harm to the body of the party. These are all prominent manifestations of party spirit not being strong, or of party members becoming divorced from party spirit, and they are not compatible with the party spirit principle for communists. In respect of these problems, we will only be able, through analysis and understanding them from the high level of upholding the party spirit principle, to basically solve them in practice.

The 1990's are an extremely important period in our country's socialist modernization. The party's current situation, and whether or not it will be able to pass the stringent tests involved in holding power, in reform and opening up, and in the struggle to oppose "peaceful evolution" will have decisive significance in the fate of the country and the nation. In order to make party building more mature on the theoretical level and more stable on the organizational level, and to ensure that the party is a leading core more tightly linked with the masses, not only must each party member strengthen his mastery of party spirit and continually resolve the question of how to really become part of the party ideologically but, more importantly, all levels of party organization and all leading party member cadres, on all major questions affecting the nature of the party as the vanguard of the working class, must adhere to the Marxist principled stand in a clear-cut way and make unremitting efforts to maintain the class nature and advanced nature of the party and strengthen the cohesiveness and fighting capacity of the party.

## II.

The historical mission which our party shoulders in the new period, and the important position which it occupies in the international communist movement, put forward on the ideological, political, and organizational levels, new requirements in terms of upholding the party spirit principle. According to the party constitution, to the "standards" and to the basic theory of building socialism with Chinese characteristics, and in the light of the actual situation in party building, in upholding the party spirit principle in the new period, we should place stress on properly resolving the following several issues:

- Upholding the final goals of struggle and overcoming hazy understandings on questions of ideals and convictions. Realizing communism is the highest goal of our party. Whether or not one has long-range communist ideals and firm convictions is a major indicator of whether or not one is upholding the party spirit principle. Without a firm communist faith one is not a real communist, while any party which abandons communism as the goal of struggle is not a real political party of the working class. In the current situation, where the international communist movement is at a low ebb, real communist party members should understand that social history has always advanced through twists and turns but the twists and turns cannot change the trend of historical development whereby the final victory of communism will be achieved. It was precisely because they had this deep understanding of the objective patterns of development that, in the history of our party, every time they met difficulties from setbacks, the many comrades would not flinch at the danger, would not fear the unexpected, and would not retreat after setbacks. As one fell, another would step into the breach and thereby they composed a brilliant and moving paen. For example, after the defeat of the first revolutionary struggle within the country, the revolutionary situation throughout the whole country changed from a high to a low tide. However, facing the massacres and white terror of the reactionary forces, a group of true revolutionaries including Xu Teli [1776 3676 4539] and others, bravely entered the ranks of the Communist Party and grew to be a backbone force of the CPC. If a party member follows the party during a time of revolutionary victory, but assumes an ambivalent attitude, becomes pessimistic, and loses faith and wavers in his ideology when the party meets setbacks, his reasons for entering the party can be called into question and such persons, at least, cannot be considered communists. In the face of setbacks and difficulties, a true communist should maintain a sober mind, look to the future and the brightness ahead, firm his communist faith and, with great revolutionary zeal, throw himself into the great practice of building socialism with Chinese characteristics, and unceasingly struggle without end for the communist cause.
- Upholding the basic line of the party in an overall way, rejecting all interference, and building, with all one's heart, socialism with Chinese characteristics. The basic line of "one focus and two basic points" reflects the essence and patterns of building socialism with Chinese characteristics, represents the basic interests of the people of the whole country, and is the basic political line of the party at the current stage. Firmly and unwaveringly implementing this party line is a collective manifestation of the party spirit principle of communists in the new period. All communists should actively shoulder the task of implementing the basic party line and are duty bound to unite and lead the masses forward, to guard against and overcome any actions which deviate from or go against the basic party line, to struggle with the mistaken ideological tides which oppose the basic line, and to truly ensure that this permeates the entire process of building socialism with Chinese characteristics. In upholding the party's basic line we must first grasp the core constituted by economic construction. In considering questions and measuring achievements, we must look at whether, in the end, they are advantageous to economic construction and whether or not they are beneficial to the development of the social productive forces. We must consciously ensure that all our work is subordinated to and serves the core constituted by economic construction and concentrate all our efforts on pushing the national economy forward. We must do what Comrade Deng Xiaoping required when he said: "We must not delay even a day but must, with single-handed devotion and all our efforts, carry out the four modernizations." (*Selected Works of Deng Xiaoping (1975-1982)* p 205) In this respect, the majority of the comrades within the party have a deep understanding and their work has been highly effective. However, there are a small number of party members who are not zealous in economic construction, their work is passive, and they lack a spirit of initiative; some, when their own work is bad, do not look for reasons on the subjective level but grumble and blame everyone but themselves; some only ponder about people and do not think about their work and, in some units, there has appeared the strange phenomenon of persons who do not do work and who disturb those who do engage in work. These are all manifestations of party spirit not being strong or even of being lost altogether and we must overcome and correct such phenomena. The "one focus and two basic points" is an organic entity and we must implement it in a correct and overall way. We cannot omit any aspect and cannot ignore any component, because that would result in mistakes. This requires continual adherence to the four cardinal principles, firmly overcoming the phenomenon of "one hand being strong and the other being weak", and clear and distinct opposition to bourgeois liberalization, so that all levels of party organization and the broad masses of party members have a firm stand, maintain political stability, and guarantee the socialist orientation of reform and opening up. On the other hand, it requires persistent adherence to reform and opening up, the further liberating of thought, the continual strengthening of the consciousness of reform and opening up, arduous creation, taking the initiative in struggle, and pushing forward the causes of reform and construction.
- Upholding the basic aims of the party, further tightening the links between the party and the people, and firmly overcoming the various tendencies of being divorced from the masses. Comrade Mao Zedong pointed out: "Another important sign distinguishing we Communist Party members from the members of other political parties is that we have attained the closest links with the broad masses of people. Serving the people with all our heart and minds and not



leaving the masses for an instant; proceeding in everything from the interests of the masses and not from the interests of individuals or small groups; and attaining unity between responsibility to the people and responsibility to the leadership organs of the party—these are our starting points.” (*Selected Works of Mao Zedong* Vol 3, p 1043) Whether or not we are able to uphold the party’s aims, uphold the mass line, and maintain flesh-and-blood links with the masses depends on the party spirit principle and will also affect the life or death of the party and the state. The vast majority of comrades within the party do things in accordance with the aims of the party. They are able to carry out their official duties honestly, serve the people through their administration, do real honest work for the masses, and eliminate difficulties for the grass-roots levels. Thereby, they receive the protection and esteem of the masses. However, there is a small number of comrades who stand high above the people and have few contacts with the masses. There are some who, although going down to the basic levels, do much too little in terms of detailed investigative work or resolving problems for the people. A small number make use of the power in their hands to engage in deals whereby power is traded for money. If they cannot gain advantage, they will do no work, while if there is advantage to be gained, they will do anything, even act corruptly, accept bribes, and use their position for private gain. Such actions seriously harm the relationship between the party and the masses and damage the party’s image. In rectifying party style it is necessary to get to the root of the problem. Party style is the external manifestation of party spirit, while party spirit is the internal source of party style. We must grasp the basic issue of upholding the party spirit principle and strengthen the tempering of party spirit, manage the party strictly, firmly strengthen the building of party style and, through real actions, strengthen the links with the masses.

—Upholding the system of democratic centralism, ensuring strict party discipline, and opposing liberalism and extreme democratization. Democratic centralism is the basic organizational principle of the party and is a major aspect of the party spirit principle. Whether it upholds or discards the system of democratic centralism is one of the major indicators of whether or not a party is a vanguard of the working class. Only by seriously upholding democratic centralism, strictly observing party discipline, and acting in ways in which the individual is subordinated to the organization, the minority is subordinated to the majority, the lower levels are subordinated to the upper levels, and the whole party is subordinated to the central committee, will we be able to ensure that all levels of party organization and all party members maintain uniformity with the party central committee on the political, ideological, and action levels, and ensure that the party line, principles, and policies are smoothly implemented. We must fully bring into play inner-party democracy and must also, on the basis of a

high degree of democracy, be highly centralized. “Only in this way will we be able to really expand inner-party democratic life and, on the other hand, not end up travelling a road of extreme democratization or travelling a road of unrestrained freedom which harms discipline.” (*Selected Works of Mao Zedong* Vol 2, p 495) In implementing a system of democratic centralism, and strictly enforcing party discipline we must oppose: Those practices whereby, before one does anything one first considers what it will mean for oneself, where one only organizes beneficial considerations and does not organize discipline, and that sort of individualism whereby one seeks posts and better conditions from the organization; the individualism involving a desire to spread hearsay, rumors, and gossip, to talk behind people’s backs, and to stir things up; the extreme democratization which only wants democracy and does not want centralism, which only want freedom and does not want discipline, which disregards the organization and by which one persists in one’s old way of doing things; and we must oppose the decentralist tendency where orders issued are not implemented, prohibitions are not enforced, where the lower levels devise countermeasures in response to any policies issued from above, where the only concern is for partial interests, and where overall interests are ignored. Those who seriously violate discipline must be seriously handled in accordance with party discipline and state laws. In brief, Communist Party members must always take the party’s stand and, in accordance with the party spirit principle, properly handle the interests relationship between the individual and the organization, the parts and the whole, decentralization and centralism, and the immediate and long-term, to consciously safeguard the unity and authority of the party.

—Upholding the ideological line of seeking truth from facts and guarding against and overcoming subjectivism and formalism, upholding the seeking of truth from facts and proceeding from reality in everything is our party’s ideological line and the ideological method and work method which our party has always advocated. It is also the ideological precondition and manifestation of upholding the party spirit principle. Our party’s tradition is combining the party’s line, principles, and policies with the specific situations of the regions, departments, and units, and resolving the problems in modernization and in the various types of work in a way which seeks truth from facts. At present, however, undesirable phenomena such as being divorced from reality, having superficial work styles, engaging in formalism, putting on airs, reporting the pleasing news and hiding the unpleasant news, and even practicing fraud, have appeared in some places. In order to overcome and guard against such problems, we must at all times adhere to seeking truth from facts and guard against subjectivism, formalism, and bureaucratism. In all sorts of work, we must persist in grasping implementation, making real efforts, doing real work, and seeking real results. We must decide

work policies in accordance with the actual situation. The party spirit principle by which we "not only rely on the upper levels, not only rely on books, but do rely on real results", which must be observed on the ideological level by Communist Party members, must always be upheld in practice.

—Upholding criticism and self-criticism and developing active ideological struggle to safeguard the solidarity and unity of the party. Consciously safeguarding the solidarity and unity of the party is an essential requirement of the party spirit principle and is also a responsibility and obligation of party members. On the question of solidarity, our party has always advocated and implemented the principle of "uniting those from all corners of the land" as a way of joining together all those comrades who are loyal to the interests of the party. Communists must be broad minded, strict in discipline, and lenient in their treatment of others. In handling the relationships between comrades within the party, it is strictly forbidden to create divisions based on personal connections, roping some people in and excluding others, in order to form small groups. It is necessary to uphold the idea that in major matters we stress principle and in minor matters we stress work style, to join together all forces which can be joined together. Solidarity refers to a principled unity, not unprincipled efforts to keep on good terms with everyone. The principle involved is the Marxist party spirit principle. In respect of those things which violate the party spirit principle, it is necessary to proceed from the desire for solidarity, and through criticism and self-criticism, reach a new level of solidarity. This is a marked aspect differentiating a proletarian political party from other political parties and is also a fine tradition of our party. At present, there are some party members who are unable to correctly handle criticism and self-criticism. Some do not stress principle and do not dare criticize erroneous things, fearing that they will upset people. They only seek to be on good terms with everyone; some refuse to state what is on their minds and they will not sit down together or hold discussions with others; some lack a spirit of self-criticism and, in respect of their own defects and errors, they evade the causes and stress the objective factors rather than seek causes in the subjective factors. Thus, we must consciously use the weapon of criticism and self-criticism, develop active ideological struggle, eliminate dust on the ideological level, get rid of all unhealthy things, raise our understanding, unify our ideas and, on the basis of Marxism-Leninism-Mao Zedong Thought, strengthen our solidarity. Only if the whole party, especially the various levels of leading cadres, is united will it be possible to promote a tight unity between the people of all nationalities throughout the country and will it be possible to struggle with one heart and one mind for the party's cause.

### III.

Whether or not Communist Party members are able, at key times and on important questions, to uphold the party spirit principle, is mainly determined by whether

their party spirit is tempered in ordinary times. Thus, strengthening the tempering of party spirit is very important in upholding the party spirit principle and party organizations at all levels must grasp this in a serious and sustained way.

1. Strengthening education in Marxist theory and raising the political and ideological qualities of the party ranks will lay down a firm ideological basis for upholding the party spirit principle. The willingness of Communist Party members to uphold the party spirit principle is not spontaneously produced. Rather, it comes from studying revolutionary theory and from tempering in revolutionary practice and through fostering and education by the party organization. The majority of current party members joined within the last two decades and thus they have not gone through the arduous tests of revolutionary struggle and lack the long-term tempering of political life within the party. They do not have a sufficiently deep knowledge of the importance and necessity of upholding the party spirit principle and there is a pressing need for them to study and raise their understanding. Even veteran comrades who have long been in the party, when faced with the new situations, new problems, and new tests which have appeared in society and life, also need to study further and raise their understanding. It was in response to this situation that our Henan Provincial CPC Committee decided that, starting this year, we will conduct education in the party spirit principle among the Communist Party members of the whole province. The basic requirement of the education is: By tightly linking up with the new international and domestic situations faced by the party and the major historical tasks borne by the party, inculcating, in a centralized way, basic theories of Marxism and basic knowledge of the party, so that party members understand the basic concepts of Marxism and the basic party spirit principle of a proletarian political party. Thereby, in any situation, they will be able to consciously struggle to safeguard the nature of the party and realize its final goals. At the same time, in the education we will stress the study style of linking theory with practice, to guide the party members to use a Marxist stand, viewpoint, and methods and, in the light of the basic contents and requirements of upholding the party spirit principle in the new period, they will be able to compare, examine, and resolve their own problems on the political, ideological, and work style levels. In this way, they will be able to ensure that upholding the party spirit principle runs through all their work and this will ensure that the process of education involves further reform of their world view and the strengthened tempering of their party spirit. Some party organizations have, proceeding from reality and combining with education in the party spirit principle, developed activities rich in content and diverse in type. For example, Xinxiang City has widely developed activities which have as their major content "Studying Shi Laihe, striving to become an outstanding party branch secretary, striving to build an advanced party branch." Mixian County has, throughout the villages in the county, developed "two leading and one

creation" activities. These involve the party organization and party members leading the peasants to develop commodity production, to strengthen the collective economy, and to become prosperous together. They also lead the peasants in implementing the party's principles and policies, in observing law and discipline, and in advancing together. In addition, they work toward creating households which excel in both material and spiritual civilization. Through such activities, the party members and basic-level party organizations not only become clearer on the ideological level about the importance of upholding the party spirit principle, but their consciousness of upholding the party spirit principle is also raised on the practical level. Thereby, the role of party organizations as strongholds for struggle and the role of the party members as vanguard models are further brought into play and these efforts have begun to see obvious results.

2. Rigorously enforcing systems for inner-party life and strengthening effective supervision provides a guarantee, on the systems level, for upholding the party spirit principle. If Communist Party members are to uphold the party spirit principle, they must rely on both their own conscious efforts and also on supervision by the party organization. Our party has, through a long period of struggle, formed party rules and regulations including the Party Constitution and standards. In the concrete areas of inner-party life, it has also formulated a series of coordinated systems. The problems at present are that in some areas the inner-party life systems and the development of the situation are insufficiently in accord, the implementation of party rules and regulations is insufficiently stringent, and the supervision of whether or not party members are able to uphold the party spirit principle is insufficiently powerful. Thus, all levels of party organization, and especially basic-level organizations, must, in accordance with the demands of the Party Constitution and standards, place every party member under the supervision of the party organization. It is also necessary to increase the strictness of the systems for inner-party life. We cannot allow the existence of special party members who do not undergo organizational life. Every party member must actively participate in democratic life meetings, exchange their ideas, correctly develop criticism and self-criticism, study the strong points of other people, and correct their own shortcomings and mistakes, to achieve the goal of strengthening party spirit and realizing continual progress. If we are to guarantee implementation of the various inner-party systems, the setting of an example by leading cadres of the party is extremely important. All levels of party organization must strengthen their supervision over party-member leading cadres and party-member leading cadres must consciously place strict requirements upon themselves and take the lead in upholding the party spirit principle and in strengthening the tempering of party spirit. In this respect, Comrade Jiao Yulu [3542 5940 4389] has established a brilliant example for us. He exerted himself to the utmost in the service of the party and gave his all until he died. He was extremely sincere in his treatment of the masses and gave himself selflessly. All of this resulted from his firm party spirit principle and his conscious tempering of party spirit.

All of the party-member leading cadres should do as Comrade Jiang Zemin required: "We should study Comrade Jiao Yulu and, in the new historical stage, we must continue to bring into play the Jiao Yulu spirit, uphold the party spirit principle, follow the organization's arrangements, discipline ourselves strictly, be brave in struggle, and, in any undertaking, we should only consider what we can give rather than what we can get." At the beginning of this year, the party organs at county level and above throughout the province earnestly held a democratic life conference with the topic: "Upholding the Party Spirit Principle and Strengthening the Tempering of Party Spirit". Party-member leading cadres from all levels seriously engaged in comparison and examination throughout the democratic life conference, actively developed criticism and self-criticism, and resolved a number of problems which had accumulated over a long period.

3. Doing well in building leading groups at the various levels of the party to provide a strong organizational guarantee or the continuous upholding of the party spirit principle throughout the whole party. The crux which determines whether or not a proletarian political party can uphold the Marxist party spirit principle and guarantee smooth implementation of the party's political line lies in whether or not leadership power at the various levels of the party is in the hands of loyal Marxists. Thus, the party spirit principle is a major criterion in fostering and selecting successors to the party's cause and in strengthening the building of the various levels of leadership groups. It is also an objective demand of our party in completing its own historical mission. The building of good leading groups at all levels of the party provides an organizational guarantee for the long-term maintenance of our party's nature as the vanguard of the working class, for unwaveringly upholding the party spirit principle, and for safeguarding the solidarity and unity of the party. According to the party's policy requiring "four changes" in the cadre ranks and its standards requiring both moral and professional qualities in cadres, last year, proceeding from the actual needs in building a cadre contingent in Henan, we set down the guiding principles for cadre work as "doing work on the basis of party spirit and employing cadres on the basis of their achievements". An important point of departure for this principle was the stress placed on guiding party members to consciously participate in social practice, to use their vigor in doing creative work, to transform their subjective world through the process of transforming the objective world, and, in practice, to strengthen the tempering of party spirit. As party-member cadres, whether or not they are determined in their posts to make their due contribution to the party and to the people is a direct manifestation of whether or not their sense of political responsibility and party spirit are strong. A Communist Party member, as a member of the vanguard of the working class, does work not on the basis of sudden impulse, nor on the basis of private sentiments, and much less on the basis of the private interests of an individual or group. The only basis for work is a firm proletarian party spirit. Only by doing work in



accordance with party spirit will one have a high degree of sense of responsibility and strong dedication and will one, in one's post, be able to quietly make contributions and struggle to the end of one's life for the cause of communism. "Employing cadres on the basis of their achievements" is the major basis by which the party organization examines the actual achievements of party members and determines how to employ them. Party spirit and achievements in work are tightly linked. If a Communist Party member does not stress the party spirit principle, he will be unable to realize obvious achievements. For a party organization, upholding the idea of "doing work on the basis of party spirit and employing cadres on the basis of their achievements" not only allows the formation, within the party, of ideological guidance which stresses party spirit, stresses contributions, and stresses real work, but can assist in examining and fostering cadres in practice and in doing well in building leading groups at various levels, so that the various levels of leadership power are firmly in the hands of loyal Marxists. The practice of the past few years has shown that this principle has played quite a good role in strengthening the dedication of the broad number of cadres and in strengthening the conscious upholding of the party spirit principle. We must persist in and continually perfect this work.

#### CPC Official Discusses Socialist Education

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[Text] Beijing, 12 Jul (XINHUA)—At the request of reporters, an official of the relevant department of the CPC Central Committee today discussed questions concerning the launching of socialist ideological education in rural areas, and answered the following questions from reporters.

[Reporter] Would you please discuss the progress in socialist ideological education, which was launched in some Chinese rural areas since last winter and this spring?

[CPC Official] So far, the socialist ideological education has been carried out in all rural areas by stages and in groups. In the first two years, education was launched in a number of localities under the name of education on socialist ideology in some places, education on the party's basic line in others, or education on the basic line, basic national conditions, and basic policies in still others. Affirming the practice and experience of these localities, the Central Committee decided to popularize socialist ideological education throughout the Chinese countryside within two to three years. In line with the Central Committee's plan, party committees at all levels have worked out meticulous preparations and gradually unfolded first at selected points and then in vast areas.

According to incomplete statistics from 25 provinces, autonomous regions, and municipalities as of mid-February, socialist ideological education had been carried out in 410,000 villages, or 69 percent of the villages in these regions covered by statistics and 54.9 percent of

the total villages in the country. A total of 607,000 cadres from organs at and above the county level had joined work teams and gone down to the countryside to devote themselves to ideological education. So far, Zhejiang and Shandong Provinces have completed an intensive education on socialist ideology in all villages and shifted the focus of the work to a day-to-day basis. Most provinces, regions, and municipalities have unfolded the education in all areas and begun to gradually deepen it. A few provinces carried out the education at selected villages last winter and this spring. Overall the progress has generally been smooth and wholesome.

[Reporter] Why is it necessary to conduct socialist ideological education in rural areas?

[CPC Official] Since the Third Plenary Session of the 11th CPC Central Committee was convened, we have scored enormous achievements in rural reforms and construction. Under the party's leadership, the masses of peasants made great contributions to the rural reforms and construction. However, due to the weakening of ideological and political work and the influence of the ideological trend of bourgeois liberalization a few years ago, the unharmonious phenomenon of "promoting the work in one aspect to the neglect of another" also existed in rural areas. This phenomenon, plus certain shortcomings in the party's rural policies, has given rise to problems that merit serious attention. For example, some cadres and people still have confused ideas about the socialist orientation of the party's principles and policies in rural areas; some grassroots organizations are weak and lax, and party members fail to bring into play their exemplary vanguard role; and in some places, bourgeois ideas and the vestiges of feudalism have emerged, causing chaos in public security and managements. These problems have impeded the economic and social development in rural areas at varying degrees.

Practice has eloquently shown that the further the modernization drive and reform and opening advances, the more it is necessary to reinforce the education of peasants. If the socialist ideology does not permeate the ideological front in rural areas, it will be occupied by backward and erroneous ideas. The Central Committee's decision to popularize socialist ideological education is a major task for implementing the party's basic line, strengthening and improving the party's leadership over the rural work, building up grassroots party organizations and power organs, safeguarding social stability, consolidating the socialist front, and promoting the economic and social development in rural areas. Successful implementation of the task is of great significance for implementing the guidelines of the Seventh Plenary Session of the 13th CPC Central Committee the Fourth Session of the Seventh National People Congress, stabilizing rural areas and the country as a whole, guarding against peaceful evolution, promoting the construction of material and spiritual civilization, and realizing the second-step strategic objective.

[Reporter] What are the tasks and requirements in unfolding education on socialist ideology in rural areas?

[CPC Official] In conducting education on socialist ideology in rural areas, we should lay stress on solving the following three questions: First, we should let socialist ideology occupy the rural positions, establish a firm belief that socialism will certainly prevail over other systems, and gradually bring up one new generation of peasants after another with high ideas, moral integrity, a good general education and a sense of discipline. Second, we should fully implement the party's principles and policies for rural areas, continue to stabilize the contracted household responsibility system with remuneration linked to output, try to improve and develop a management system in rural areas whereby unified management is combined with separate management, actively develop socialized service system, gradually strengthen collective economic power, promote the development of rural economy, and guide peasants to take the road of common prosperity. Third, we should strengthen the organizational building at the village level with the party branch as the core, and give full play to the role of party branch as the leading core and to the exemplary and vanguard role of party members. We should help party organizations in rural areas which are lax in discipline make improvements. Education on socialist ideology is a comprehensive measure. We should persist in carrying out the main task of conducting education on socialist ideology, center our attention on promoting economic development, and lay stress on strengthening organizational building at the grass-roots level. We should make an overall arrangement to fulfill all of the three tasks, and we must not attend to one thing and lose sight of another.

[Reporter] What are the main contents of and for whom is the education intended?

[CPC Official] The contents of education give prominence to the following points:

1. We should conduct education on the superiority of socialist system and help peasants further understand that "only socialism can save China and only socialism can develop China."

2. We should conduct education on the party's basic line and the party's principles and policies for rural areas. We should explain to the peasants the scientific and correct nature of the party's whole set of principles and policies for rural areas since the beginning of reform and opening to the outside world. We should stabilize and constantly improve those principles and policies in order to whip up the peasants' enthusiasm for socialism and encourage them to struggle for attaining the second-step strategic objective.

3. We should unfold education on patriotism and collectivism. We should guide the peasants to correctly handle interests among the state, the collective and the individual.

4. We should carry out education on socialist democracy and socialist legal system. We should vigorously advocate the importance of observing discipline and obeying the law, struggle against tendencies of illegal activities, and foster socialist new customs.

The education on socialist ideology is mainly intended for cadres, members of the Communist Party and members of the Communist Youth League at the grassroots level. Because they are the backbone force in rural areas, we should educate them to wholly implement the party's basic line and various policies for rural areas, wholeheartedly serve the people, fight against illegal tendencies, and lead the masses to improve their economic condition through self-reliance and hard struggle and to take the road of common prosperity.

[Reporter] What are the results that have been achieved in places where ideological education has been conducted?

[CPC Official] The main results achieved in those places are:

1. Socialist ideology and culture have further occupied the rural front. Through the education, most peasants have raised their consciousness of socialism, strengthened their sense of the nation and sense of the collective, and further understood that the purpose of the party's policies which allow and encourage some people and some localities to become rich first through honest labor and lawful operation is to reach the goal of common prosperity. New customs have emerged in many places where many people have protected the interests of the collective and are happy to help others, many people have opposed bad habits and promoted new styles, and many people have observed discipline and obeyed laws and do things in accordance with rules and regulations. In last year, rural areas in many localities accomplished various tasks in the best manner.

2. The rural party branches now play a stronger role as the cores of leadership, and grass-roots party organizations have also become stronger. While party branches of the first category [yi lei zhi bu 0001 7352 2388 6752] have set higher and stricter requirements for themselves, party branches of the second category have had greater fighting power, and most of the party branches of the third category have changed their backward outlook. Ancillary services have now been instituted under cooperative economic organizations of villages and mass organizations—such as youth, militia, and women's organizations. As a result of their model conduct, cadres and party members have heightened the party's prestige, strengthening the party organizations' rallying strength. In many places, many peasants have submitted their applications to join the party.

3. It has promoted reforms and economic development in rural areas. Knowing the socialist nature of the party's policies at the present stage, the cadres and the masses now realize the advantages of working together to become affluent together. The masses' socialist enthusiasm, in particular, has heightened substantially as

result of the implementation of established policies and the settlement of certain hot issues, which the masses care very much about. During the course of implementing established policies, authorities in Jingshan, Xiantao, and Jiangling Counties in Hubei's Jingzhou Prefecture firmly settled all villages' fiscal problems and promptly paid the peasants. The masses, who welcome this measure immensely, have promptly repaid their debts and the money they have returned has strengthened the collective economy. Now village-level economic cooperatives and all types of service organizations have been established in many places, and they have achieved gratifying results in building irrigation projects, developing township enterprises, and promoting planned parenthood.

4. It has forged closer ties between the party and the peasants. The peasants, in realizing that the party will not change its basic policies, that the large number of cadres from higher authorities are willing to share weal and woe with them, and that grass-roots cadres have changed their work style and are ready to guide them to become affluent, have come to realize that they can count on the party and the socialist system, and they have become more enthusiastic in contributing to the socialist cause. They say: "The work style of the former Eighth Route Army soldiers has reappeared, and education like this should be an annual event." Members of the work groups have also been tempered. After knowing the situation of the countryside and the nation, they now feel closer to the peasants. When some work groups departed, they were seen off by big crowds of tearful peasants who did not want them to leave.

[Reporter] What can we learn from places where ideological education has taken place?

[CPC Official] All localities have gained some experiences. Their basic ways of doing things were as follows:

First, their leading authorities, attaching great importance to the project, have intensified their guidance. Most of the party and government leaders have attached great importance to the project and placed it on their agendas of important affairs. The principal leaders of many provinces and prefectures have even taken the initiative in conducting investigation and study at grass-roots units, in overseeing or taking part in pilot projects, in training grass-roots cadres, and in summing up and propagating the good experiences themselves. To improve their leadership, authorities in many places, under their party committees' centralized leadership, have formed special groups made up of cadres of relevant departments. Presently, over ten provinces, including Hunan, Shandong, Shaanxi, Fujian, and Liaoning, have set up leading groups to take charge of the project. All areas are attaching great importance to the competency of their work groups, and so, instead of hiring other people to do the job for them, they have been working seriously in training the group members and have assigned experienced cadres to take charge of them and to supervise their discipline.

Second, they pay attention to achieving actual results, and so they have combined tangible with intangible work, using ideological education to promote rural work in all fields. Hunan has insisted that ideological and organizational construction must proceed with implementing established policies and promoting rural economic development, saying that all the assignments must be handled at the same time. Jiangxi has instructed that each and every village, on the basis of heightening the political consciousness of its cadres and villagers, must establish a competent party branch, find a way to achieve prosperity, create an economic collective, and devise a set of rules for management and services. Consequently, those places which have been carrying out ideological education since early this year have, in accordance with the directives of the central authorities, also been studying the guidelines set by the Seventh Plenary Session of the 13th CPC Central Committee and the Fourth Session of the Seventh National People's Congress. Moreover, they have also drawn up ways and means to achieve their objectives through implementing the 10-Year program and the outlines of the Eighth Five-Year Plan. This has effectively accelerated the progress of all rural projects.

Third, they have adhered to the correct principles on ideological education and done things strictly according to the party's policies and state laws. Since the beginning of the education, all localities have emphasized that the current ideological education, which is different from the "socialist education campaign" of the 1960's and the "education on the line" of the 1970's, is a self-education of cadres and people under the guidance of the party's correct line. They have actively and prudently carried out the policies, adhering to the principles of concentrating on ideological education and education by positive examples and of not punishing cadres and people, so as to enhance the sense of responsibility among the masses of peasants and grassroots cadres as being their own masters. On the basis of the principles, some localities have formulated a series of concrete policies and measures on, for example, the observance of normal procedures and channels in handling matters involving people, the protection of the lawful rights and interests of self-employed workers and entrepreneurs, and enforcement of the policies toward minority nationalities and religions, thereby dispelling ideological misgivings of cadres and peasants and ensuring the wholesome development of educational activities.

Fourth, they have carried out the education through flexible, diverse, and interesting forms. In the light of realities in the peasants' thinking and domestic and international situations, various localities have conducted a vivid publicity and education through various forms, such as giving face-to-face lectures, holding backbone training classes, organizing reporting groups on advanced personages, sponsoring exhibitions, and mobilizing the masses to reminisce the past and compare it with the present. In Jinhua, Ningbo, and other places in Zhejiang, officials from the grain, supply and marketing,



and water resources and electricity departments were invited to hold direct dialogue with peasants to discuss the national condition, explain the policies, and untie the "knots" with marked results. Through training classes in the winter, Jiangsu carried out an intensive education of its 2 million grassroots cadres and party members in rural areas.

Fifth, they have paid particular attention to the construction of village-level organizations, with party branches as the nucleus, in a bid to rectify backward party branches and help impoverished villages change their outlook. Among those carrying out the education in the first groups in Shanxi and Guangxi are mostly backward party branches in impoverished villages. They have dispatched effective work teams to conduct ideological education on the one hand and to help solve practical problems on the other, and have achieved fruitful results in mobilizing the masses to explore the ways and means for shaking off poverty and becoming well off, harnessing mountains and rivers with accumulative labor and engaging in diversified management. Reports from Qinghai, Heilongjiang, and Shandong indicate that in general, over 60 percent of backward party branches in these provinces have achieved the objective of eliminating backwardness.

[Reporter] Would you please discuss the main points for attention in the current work?

[CPC Official] Leaders in all localities should pay close attention to the following issues: 1) The current educational campaign is a comprehensive activity incorporating ideological education with the implementation of various policies and improvement of grassroots. In order to comprehensively fulfill these tasks, it is necessary for each village to devote sufficient time of generally four to five months on the education. In some villages, the desired results are hardly achieved because the tasks were explained in relatively vague terms for a short period of a month or even 20 days. 2) It is necessary to ensure the quality and guard against perfunctoriness. Attention should be focused on two types of cases. One involves overcautiousness, lacking the courage to tackle contradictions and concrete problems and symbolically handling them through empty talk at meetings. The other is reflected in the one-sided interpretation of solving a problem as it is without discussing socialism or even mentioning ideological education, replacing it with some concrete activities. Both cases must be avoided. Should there be insufficient work team members and leadership strength, the education can be carried out on a smaller scale in different stages. Efforts should be made to ensure that ideological education is successfully launched in one after another group of villages. It is necessary to conscientiously conduct the acceptance test, strictly guarantee its quality, and guard against perfunctoriness and formalism. Villages which fail to complete the major tasks and solve basic problems should make further efforts or even start the educational activity all over again. 3) It is necessary to make ample use of

modern mass media in conducting the education. Newspapers and radio and television stations should step up publicity on ideological education. There should be a momentum during the intensive education, which should be promptly followed by education on a regular basis. In order to more effectively carry out the education, it is necessary to step up investigations and studies so as to find out "ideological knots" among the masses and carry out the work with an objective in mind. 4) In order to strengthen leadership, principal leaders of party committees should personally attend to the work on ideological education, earnestly summarizing and exchanging experiences and providing different kinds of guidance under different circumstances. It is necessary to appoint competent cadres to set up special agencies. All departments concerned should give their full cooperation. It is necessary to improve the quality of work teams, and organize grassroots cadres, communist party members, and activists in setting up "stationary work teams" in rural areas.

#### Commentary on Peasants' Understanding of Socialism

OW1707062391 Beijing XINHUA Domestic Service  
in Chinese 0722 GMT 16 Jul 91

[Political commentary by XINHUA reporter Ji Naifu (1213 0035 3940): "It Is Important To Have Peasants Renew Their Understanding of Socialism"]

[Text] Beijing, 16 Jul (XINHUA)—In the countryside of Mizhi County in northern Shaanxi, which is the homeland of Chuangwang Li Zicheng [led a successful peasant uprising at the end of the Ming Dynasty], an old man told me he has experienced the implementation of two of the best policies during his lifetime. One policy was land reform, in which farmlands were divided and shared, and the other policy was the household-based system of contracted responsibility with remuneration linked to output, which is being implemented right now. He said: Peasants have all benefited from the contracted responsibility system. Therefore, "they fear neither heaven nor earth; they fear a change in the present policy."

Mizhi County is under the jurisdiction of Yulin Prefecture. All the peasants in the rural areas of Jiaxian County, Shenmu County, and Yulin City asked me if there is going to be a change in the present rural policy being implemented. It is thus obvious that fear of any change in the present policy prevails among quite a considerable number of peasants.

Why are peasants afraid that there may be a change in the present policy? I discussed the issue with Li Fengyang, secretary of the Yulin Prefectural Party Committee. He said that peasants are afraid of changes because although they feel the present policy is good, they are not sure if it is a socialist policy; therefore, they do not feel assured and secure deep down about it. The northern part of Shaanxi is an old area liberated by the revolution and, as such, socialism is deep-rooted there. In the past, peasants used to think socialism meant "collectivization



in the form of people's communes that are large in size and collective in nature." However, when peasants are now allowed to contract a plot of land to run business for themselves, they are not sure whether or not this is socialism. There is a secretary of the party branch in the rural areas of Zizhou County. He took the lead in carrying out land reform and launching the movement to organize cooperatives, but he wanted to quit when he was asked to implement the household-based system of contracted responsibility. He said that this is implementing capitalism and that "I have been working hard for scores of years, and now I am suddenly asked to return to where I started before liberation." He submitted a request for withdrawal from the party. It seems the problem here lies in peasants' failure to understand socialism with Chinese characteristics, socialism at the initial stage, and the socialist nature of reform of the economic system in rural areas.

Li Fengyang's analysis of the peasants' present thinking surely is very correct and deep. He said: In the current drive to conduct education in socialist ideology in rural areas, the most important thing for us to do is to have peasants renew their understanding of socialism. He asked the cadres that were assigned to provide education in socialist ideology in the countryside to especially make it clear to peasants that implementation of the system of contracted responsibility is not dividing up the fields for individual farming and not implementing privatization, because ownership of land belongs to the state and because individuals only have the right to use land and are not permitted to purchase or sell it. When ownership of land remains unchanged, there will be no landlord class and we will not go back to the times before liberation. At Yangjiagou gully, Mizhi County, where the party's Central Committee and Chairman Mao were once stationed, Luo Ershuan, a cadre working in the old revolutionary village, said: If this is so, I would feel secure about the issue in my heart and would dare to lead peasants to carry out the reform with perfect assurance. The reform policy is so good that it can benefit peasants. However, if its socialist nature is not made clear, we will always have misgivings about it in our hearts when it comes to implementing the policy.

Yulin Prefecture did a large amount of ideological work among peasants, focusing on the theme of the socialist nature of rural reform, when it conducted education in socialist ideology in rural areas. As a result, it relieved peasants of their doubts and misgivings about reform, expedited rural economic development, and promoted party building in rural areas. Their experiences quite deserve our attention.

#### More Staff To Be Trained Abroad in 8th Plan

OW2106113291 Beijing XINHUA in English  
1043 GMT 21 Jun 91

[Text] Beijing, June 21 (XINHUA)—China will further accelerate its intellect imports by sending more staff to

be trained abroad during the Eighth Five-Year Plan period (1991-95), according to the latest issue of "BEIJING REVIEW".

The emphasis of the training will be on agriculture, energy, communications, telecommunications, raw material, key state projects and development of new products, according to the leading office under the State Council in charge of overseas intellectual resources.

Wang Nai, head of the office, said China sends staff mainly to Hong Kong, the United States, Japan, Singapore, Germany and Britain to learn the know-how of advanced technology and management experiences. In the coming years, on the basis of consolidating and strengthening co-operation with the above-mentioned areas, China will seek similar co-operation with Thailand, the Soviet Union and France.

Wang said beginning in 1985 China selected a total of 7,400 technical and managerial personnel from industrial and commercial enterprises to be trained abroad. Up to date, 98 percent of the trainees have come back on schedule. He said China presently sends 2,000 technical and managerial staff abroad each year and the figure will increase to 3,000 in the near future.

In the coming years, China continues to offer a good working environment for these returned trainees and is planning to set up a special fund to encourage and support their scientific research and work.

#### United Front Official Writes on Party Anniversary

HK1307035691 Beijing RENMIN RIBAO in Chinese  
30 Jun 91 p 5

[Article by Teng Qing (3326 1987) of United Front Work Department of CPC Central Committee: "Origin, Development of China's United Front: In Commemoration of 70th Anniversary of Founding of CPC"]

[Text] The 70 years' brilliant history and outstanding achievements of the CPC and the united front led by the party are inseparable. For 70 years, our party has integrated the Marxist-Leninist basic principle of the united front with China's reality and led the united front to grow strong unremittingly at the different historical development stages of revolution and construction, thus greatly enriching and developing the Marxist-Leninist theory and tactics of the united front.

#### The Integration of the Marxist-Leninist Theory and Tactics of the United Front With China's New-Democratic Revolution

Old China was a semicolonial and semifeudal country, the bourgeoisie was unable to lead China's revolution to victory, and the only way was to proceed to socialism through new-democratic revolution under the leadership of the working class. China's working class was the most conscious and organized class and qualified to lead China's revolution. The number of members of China's working class was, however, very small at that time. The

enemy that China's working class faced was very strong and victory could not be won by relying on the strength of China's working class alone. It was necessary to unite with all those classes and strata that were likely to make revolution under all different kinds of circumstances and especially to unite with the peasants and urban petty bourgeoisie, the number of whose members was the largest and the other intermediate class to organize a revolutionary united front. This determined that China's united front had an extensive social foundation and conditions for full development and was a big magic weapon for China's revolution; at the same time, it also determined that the issue of China's united front contained extremely great complexity. This, therefore, required our party to have a correct grasp of and to apply the Marxist-Leninist theory and tactics of the united front so as to integrate it very well with the extremely complicated social and political situation. With a firm stand, superb leadership arts, and good integration, China's revolution would be victorious; otherwise, it would suffer setbacks and failure.

In 1922, the "second congress" of the party put forth the party's program and worked out the resolution for "organizing a democratic joint front." Subsequently, the party and Mr. Sun Yat-sen discussed the issue of cooperation between the Kuomintang [KMT] and the Communist Party and formally set up a united front of the KMT and the Communist Party in 1924, thus setting off the first mighty great revolution, winning victories in the Eastern and Northern Expeditions, and resulting in very great development of the ranks of the party. However, due to the fact that at the critical moment of the development of the revolution, the party leadership organ made the mistake of Chen Duxiu's capitulationism, the party suffered a serious loss and the revolution met with failure when Chiang Kai-shek betrayed it.

After the revolution failed in 1927, our party went deep into the rural areas, opened up rural revolutionary bases, building up the Workers' and Peasants' Red Army, and won very great victories in the revolution. However, due to the party leadership organ's political and military mistakes in the third Left opportunist line, the intermediate force was taken as the most dangerous enemy and the party found itself isolated, leading to failure in the fifth antiencirclement and antisuppression and to the loss of 90 percent of the revolutionary forces in the Red area and of 100 percent of the revolutionary forces in the White area.

The 1935 Zunyi meeting established Comrade Mao Zedong's leading status in the whole party and saved the party and revolution at the life-and-death moment. After the Red Army arrived in northern Shaanxi, the party Central Committee criticized the Left opportunist political line at the Wayaobao meeting, decided to establish an extensive anti-Japanese national united front, organized thousands upon thousands of people, mobilized an enormous and powerful revolutionary army, and clearly and definitely put forward the Communist Party's responsibility for wielding leadership power. Under the leadership of the

party Central Committee headed by Comrade Mao Zedong, our party really ensured the integration and unity of the Marxist-Leninist theory and tactics of the united front and China's new-democratic revolution. After this, our party regarded the peaceful solution of the Xian Incident as a turning point, achieved the second KMT-Communist Party cooperation, waged the war of resistance against Japan, and in the period of that war overcame the second Wang Ming line that was similar to Chen Duxiu's capitulationism. Our party, therefore, could repulse the KMT's third attack on the Communist Party and guarantee victory in the war of resistance against Japan. After the victory in the war of resistance against Japan, our party smashed the all-round civil war launched by Chiang Kai-shek, won victory in the war of liberation, and founded the PRC.

Represented by Comrade Mao Zedong, our party has integrated Marxism-Leninism with China's revolution, summed up rich experiences and lessons in two victories, two failures, and cooperation between the KMT and the Communist Party and separation of the KMT from the Communist Party on two occasions, and formed a complete set of theory and tactics of the united front, which became an important part of Mao Zedong Thought and whose main contents are:

1. Peasants are the most consolidated and largest force of the allied forces of the proletariat, and the worker-peasant alliance is the foundation of the united front. It was the "Left" and right mistakes in the party's history to underestimate the peasants. Comrade Mao Zedong clearly and definitely pointed out: The peasants are the main force of China's democratic revolution as well as the most consolidated and largest allies of the working class. It is necessary to closely rely on the peasants, to build rural revolutionary bases, and to take the revolutionary road of using the countryside to encircle the cities and finally capturing the cities. Only by relying on the worker-peasant alliance can the working class have the strength to unite the urban petty bourgeoisie, win over the national bourgeoisie and the other patriotic democratic elements, and achieve leadership.

2. On the foundation of the worker-peasant alliance, our party unites with all those people who can be united with, neutralizes all those people who can be neutralized, and splits off all those people who can be split off from the enemy camp. The key here is to distinguish between the national bourgeoisie and the big comprador bourgeoisie and to correctly understand and treat the dual character of the national bourgeoisie. In the party's history, the "Left" and right mistakes confused these two kinds of bourgeoisie. Comrade Mao Zedong correctly distinguished between the two kinds. He analyzed the dual character of the national bourgeoisie and maintained that as they are the better allies of the working class, it is necessary to adopt the policy of uniting with them politically and striving to protect them economically. The big comprador bourgeoisie are an appendage of imperialism as well as a target of China's revolution, but when the spearhead of the revolution is directed at a certain imperialist country, the big bourgeoisie attached to the other imperialist groups will, to a certain

extent, temporarily join the revolution. Under such circumstances, we must unite with them as far as possible so as to concentrate forces to isolate and hit the current principal enemy. However, even when the big bourgeoisie join the united front, they will still hit the revolutionary forces led by the Communist Party and wait for an opportunity at all times to betray the revolution. We must, therefore, carry on resolute and correct struggle against their anticommunist and antipeople actions.

3. Both uniting and struggle are the basic tactics and principle of Mao Zedong Thought on the united front. The united front is the unity of opposites of different classes, strata, groups, parties, and factions. They take joint action for a certain common target but have contradictions economically, politically, and ideologically. Therefore, "there is unity in an issue and struggle and criticism in another issue." (*Selected Works of Mao Zedong*, old edition of horizontal composition, Vol 3, p 824) In this matter, our party had two one-sided policies. One was that in the later period of the great revolution, Chen Duxiu's right opportunism laid stress on combining only without stressing struggle. The other was that in the later period of the second civil war, Wang Ming's "Left" opportunism laid stress on struggle only without stressing combining. In the period of the war of resistance against Japan, Comrade Mao Zedong summed up the experiences in these two aspects, put forward the policy of both combining and struggle (or both unity and struggle, both unity and criticism), and pointed out: "The present policy of the anti-Japanese national united front is not a policy of combining everything and denying struggle and not a policy of struggling against everything and denying combining, but a policy of comprehensive combination and struggle." (*Selected Works of Mao Zedong*, old edition of horizontal composition, Vol 2, p 721) He also pointed out that regarding different allies, due to different qualities of contradictions, the situation of unity and struggle varies.

4. It is necessary to insist on maintaining independence, keeping the initiative in one's own hands, and wielding leadership of the united front. In the party's history, Chen Duxiu's right opportunism maintained that the bourgeois democratic revolution should be led by the bourgeoisie and it handed leadership over to the bourgeoisie. "Left" opportunism shut the door against the allies, turned itself into an "air force commander" [soldierless commander], and forfeited leadership in the "Left" aspect. In the period of the war of resistance against Japan, Wang Ming changed from "Left" opportunism to right opportunism, put forward the idea of "being subject to the united front in everything" and "being subordinated to the united front in everything," abandoned the independent character of the proletariat, and took orders from Chiang Kai-shek's KMT in everything. At the Sixth Plenary Session of the Sixth CPC Central Committee, Comrade Mao Zedong put forward sharply the "issue of maintaining independence and keeping the initiative in one's own hands on the united front" and criticized Wang Ming's capitulationism.

Insisting on maintaining independence and keeping the initiative in one's own hands on the united front is substantially a matter of proletarian leadership of the united front. In December 1947, Comrade Mao Zedong profoundly summed up the historical experiences in this issue. He said: "Without the most extensive united front that included the overwhelming majority of people of the whole nation, a victory in China's new-democratic revolution is impossible. Furthermore, this united front must be under the CPC's powerful leadership. Without CPC powerful leadership, no revolutionary united front can win victory." (*Selected Works of Mao Zedong*, old edition of horizontal composition, Vol 4, pp 1, 153)

#### **The Integration of Marxist-Leninist Theory and Tactics of the United Front With People's Democratic Dictatorship and Socialist Transformation**

The establishment of the people's democratic dictatorship within the whole country was the successful development of the people's democratic united front under CPC leadership and the manifestation of its state power. As the provisional major basic law of our country after its founding, the "common program" provides: "The people's democratic dictatorship of China is the political power of the people's democratic united front, comprising China's working class, peasants, petty bourgeoisie, national bourgeoisie, and the other patriotic democratic elements, with the worker-peasant alliance as the foundation and with the working class as the leader." In September 1949, the Chinese People's Political Consultative Conference [CPPCC] held a meeting, exercising functions and powers on behalf of the people's congress and announcing the establishment of the Central People's Government. The representatives of all democratic classes and democratic parties participated in the people's governments at all levels.

Following the completion of the new-democratic revolution in the whole country (with the exception of the islands, including Taiwan), our country ushered in a historical period when new democracy changed to socialism. Subsequent to the completion of the reform of the land system throughout the country, the main contradictions at home changed to the contradictions between the working class and the bourgeoisie and between the socialist road and the capitalist road. In 1952, on the basis of Comrade Mao Zedong's suggestions, the CPC Central Committee put forth the general line for the transition period that over a fairly long period of time, it is necessary to gradually realize state socialist industrialization and to gradually achieve state socialist transformation of agriculture, handicrafts, and capitalist industry and commerce. This situation was formed in our country: The people's democratic dictatorship was substantially the dictatorship of the proletariat, but the national bourgeoisie and its political party participated. Our task was to eliminate the capitalist exploiting system and the bourgeoisie, but we maintained the united front with the national bourgeoisie. How did we resolve this contradiction? This was an important theoretical and practical question put before



the united front of our country. Represented by Comrade Mao Zedong, our party applied Marxist-Leninist basic principles to resolve this contradiction correctly.

Marxism-Leninism maintains that "the dictatorship of the proletariat is always a certain form of the class alliance." (*Selected Works of Liu Shaoqi*, Vol 2, p 243) The substantial characteristics of the dictatorship of the proletariat are 1) the working class's strong leadership over the state regime (through the communist party) and 2) the domination of the majority over a small number of reactionary classes, reactionaries, antisocialist exploiters, and saboteurs of socialist construction, namely democracy toward the overwhelming majority of people and dictatorship over the minority. To achieve this, it is essential to establish an extensive alliance, under the leadership of the working class, with all classes and strata that can accept socialism.

Under the conditions of our country, we must first unite with the peasants and the other laboring people and establish a consolidated worker-peasant alliance; at the same time, also establish and maintain an alliance with the national bourgeoisie and the other cooperative non-laboring people on the foundation of the worker-peasant alliance. This is because we have had a history of a united front with the national bourgeoisie, democratic parties, and the other patriotic elements over a long period of time. After the founding of our country, under Communist Party leadership, they actively participated in the restoration of the national economy, supported land reform, suppressed counterrevolution, carried on struggle to resist U.S. aggression and aid Korea, and contributed toward isolating the enemy at home and abroad to the fullest possible extent, strengthening the revolutionary forces, and building and consolidating New China. During the change from new democracy to socialism in our country, they came by profits by exploiting the working class on the one hand and were willing to accept socialist transformation and participated in socialist construction on the other hand. We have no reason for not continuously cooperating with them. Moreover, these classes, strata, and parties have and maintain ties with more intellectuals and specialists and have comparatively rich modern scientific and cultural knowledge. If the working class continuously maintains the united front with them and leads them to participate in the regime, it will not only play an important part in leading them to take the socialist road but also help them apply their knowledge to serve socialist construction. As early as the eve of the founding of our country, our party clearly and definitely pointed out: "The policy of long-term cooperation between our party and the nonparty democratic personages must be determined on the basis of the ideology and work of the whole party. We must treat the majority of the nonparty democratic personages as our cadres, sincerely and frankly discuss and solve those problems, that must be discussed and solved, with them, and assign them work so that they have duties and powers at their posts and will score achievements in their work." (*Selected Works*

*of Mao Zedong*, old edition of horizontal composition, Vol 4, pp 1, 327) On 17 January 1955, the party Central Committee specially issued a directive to criticize and correct the party's serious closed-doorism tendency toward "homogeneous bodies" in the issue of the united front and the issue of treating the democratic personages and the alliance of the party and other parties and to provide for a proportion of nonparty personages in all ministries and commissions of the State Council and among the directors of all provincial and city departments and bureaus. Our party ingeniously integrates the people's democratic dictatorship with the theory and tactics of the united front in this way so that our people's democratic dictatorship enjoys the support of the masses who account for the overwhelming majority of the population and undertakes the functions of socialist transformation and socialist construction.

During the change from new democracy to socialism, our party successfully applied the Marxist theory of redemption and Leninist theory of state capitalism and opened up a road of peacefully transforming capitalist industry and commerce through the united front and transforming capitalist ownership into socialist public ownership. Under the conditions of the people's democratic dictatorship, our country has the strong state-owned economy as the foundation and the consolidated worker-peasant alliance as the backing and the national bourgeoisie is willing to remain in the united front to accept socialist transformation. Therefore, if we include capitalist industry and commerce in the track of state capitalism, we can utilize even better their positive role favorable to the national economy and the people's livelihood, restrict their negative role unfavorable to the national economy and the people's livelihood, gradually alter the capitalist economic relations, and finally substitute ownership of the means of production by the whole people for capitalists' ownership. We regard the enterprises and people as two items of wealth left behind to us by capitalist industry and commerce. While transforming enterprises, we adhere to the principle of "employing people according to their abilities and giving appropriate preferential treatment" in employing bourgeois elements, make proper arrangements for their work, and give play to their specialized production technology, operation, and management. We also make political arrangements for their representative figures and organize their tours of visiting and study so as to make them feel that they have a way out and prospects and to gradually transform them into socialist laborers.

Due to the implementation of this set of policies and methods of socialist transformation with Chinese characteristics, we guarantee that our country's socialist transformation is smoothly realized and that not only production sustains no damage, but the development of production is promoted. This produces a good effect on the democratic parties, intellectuals, minority-nationality personages, figures of religious circles, Hong Kong and Macao compatriots, Overseas Chinese abroad, and the other patriotic personages. The party's correct



policy toward the national bourgeoisie and its correct policy in this aspect supplement and promote each other and guarantee that the united front of our country is continuously consolidated and expanded after the great change from new democracy to socialism and becomes a magic weapon for consolidating the people's democratic dictatorship and pushing the socialist cause forward.

Like the party's work in the other realms, the united front of our country has also passed through a tortuous course and suffered serious setbacks after the fundamental completion of socialist transformation of the private ownership of the means of production. The basic lesson is that the party leadership did not admit in the guiding principle that there had been a fundamental change in the class relations but magnified our country's class struggle still existing in a certain scope, treated it in terms of absolutes, erroneously regarded as capitulationism and revisionism the policy of the united front that had been effective in the past, and negated and criticized it. This situation was not fundamentally corrected until after the Third Plenary Session of the 11th CPC Central Committee.

#### **The Integration of Marxist-Leninist Theory and Tactics of the United Front and the Building of Socialism with Chinese Characteristics**

The Third Plenary Session of the 11th CPC Central Committee held in December 1978 was a great and profoundly significant turn in our party history since the founding of our country and ushered in a new historical period for our country. Under the initiation of Comrade Deng Xiaoping, our party made the scientific proposition that our country is at the initial stage of socialism; it formed a basic line of "one center, two basic points" and opened up a road to building socialism with Chinese characteristics. The fundamental tasks of the party and state are to vigorously develop the productive forces, to quadruple GNP by the end of this century, and to make our country reach the moderately developed level in the middle of next century. At the same time, we must adhere to the socialist orientation, resolutely foil the domestic and foreign hostile forces' infiltration, subversion, and "peaceful evolution," and consolidate and improve our country's socialist system. The party Central Committee and Comrade Deng Xiaoping have adhered to and developed the idea of the party's united front, vigorously brought order out of chaos, implemented all policies of the united front, integrated the theory and tactics of Marxism-Leninism-Mao Zedong Thought on the united front with the practice of building socialism with Chinese characteristics, and creatively put forward the theory, principle, and policy of the united front for the new period. Since the Fourth Plenary Session of the 13th CPC Central Committee, the party Central Committee with Comrade Jiang Zemin as the core has carried forward the revolutionary cause, forged ahead into the future, and adhered to and developed the theory and policy of the united front for the new period.

The main points of the integration of the theory and tactics of the united front for the new period with the building of socialism with Chinese characteristics may be summarized as follows:

1. The situation in the social classes of our country has fundamentally changed. The exploiting class no longer exists as a class and the united front of our country has become an extensive alliance of all socialist laborers, patriots who support socialism, and patriots who support the reunification of our motherland. The consistency of patriotism and socialism in the united front has been greatly strengthened. Class struggle is no longer a major contradiction but will exist in a certain scope over a long period of time owing to the domestic factors and under international influences and is likely to be aggravated in certain conditions. We must be highly vigilant against domestic and foreign hostile forces' subversion, infiltration, and "peaceful evolution" and against bourgeois liberalization and the activities of nationality separation. We must carry on effective struggle. At the same time, we must correctly understand a large number of social contradictions of all kinds that do not fall within the scope of class struggle, but that still exist in the society of our country and correctly resolve them by employing a method different from class struggle. We must strictly distinguish between and correctly handle the contradictions between ourselves and the enemy and contradictions among the people and regard correctly handling the contradictions among the people as the subject of the united front for the new period.

2. The basic tasks of the patriotic united front are to hold aloft the patriotic and socialist banner, to unite with all forces that can be united with, to mobilize all positive factors, to resolutely implement the basic line of taking economic construction as the center, adhering to the four cardinal principles, and insisting on reform and opening up, and to struggle hard to achieve the general target of building the four modernizations, reunifying our motherland, and rejuvenating China.

3. With the CPC as the core, the united front of our country has formed and developed alliances in two scopes: One is the alliance of all laborers and patriots within the scope of the mainland with patriotism and socialism as the political foundation. This alliance is the main body. In this alliance, the four cardinal principles are adhered to and the spirit of patriotism is carried forward. The other one is the alliance of Taiwan compatriots, Hong Kong and Macao compatriots, and overseas Chinese abroad outside the scope of the mainland with loving the country and supporting the reunification of the motherland as the political foundation. The establishment and development of this alliance shows the expansion and prosperity of the patriotic united front in the new period. In this alliance, the common ground of loving the country and reunifying the motherland is sought while the differences in the social systems, ideologies, modes of life are reserved. We will further consolidate and develop this alliance and according to the principle of "one country, two systems," promote Hong

Kong's and Macao's stability and prosperity and the smooth takeover of sovereignty and push forward the peaceful reunification of Taiwan with the mainland.

4. All democratic parties of our country have already become political alliances, each of which keeps close links with the part of socialist laborers and the part of patriots who support socialism. They are all the political forces that serve socialism under CPC leadership. The system of multiparty cooperation and political consultation under CPC leadership is a new socialist system of political parties that suits the national conditions of our country. It is also an important component part of the basic political system and of the socialist democratic system of our country. It and the system of people's congresses constitute the form of government of our country. It is an important content of reform of the political structure of our country to seriously implement the principle of "long-term coexistence, mutual supervision, being loyal-hearted, and sharing honor and disgrace," to adhere to and improve this system, to strengthen and improve Communist Party leadership, and to give full play to the democratic parties' functions of participating in and discussing government and political affairs and exercising supervision. This plays an important part in resisting the attacks by political pluralization and multipartyism and building socialism with Chinese characteristics.

5. Intellectuals are a part of the working class like the workers and peasants. They are a force to rely on in the socialist modernization construction and on the united front of our country. Science and technology are the first productive force. Scientists and technologists are the pioneers of the new productive forces and the development of education is the foundation of scientific and technological progress. The majority of the representative figures and of the targets of work of the united front in all aspects in the new period are intellectuals. We must respect knowledge and talented people, guide them to study Marxism-Leninism-Mao Zedong Thought and to integrate with social practice, workers, and peasants, and give full play to their enthusiasm, initiative, and creativeness in the course of building socialist material civilization and spiritual civilization.

6. Our country adheres to a pattern of ownership with the coexistence of multiple economic sectors and with socialist public ownership as the main body and gives play to the useful supplementary role of the individual economy, private economy, and the other economic sectors in the public-owned economy. At the same time, our country implements a distribution system with distribution according to work as its main aspect and the other types of distribution as supplements. This will give rise to the diversified character of the social structure and pattern of interests, to new social elements, and to new targets of work of the united front and put forth the new subject of the united front work for the new period.

7. All fraternal nationalities of our country have already embarked on the socialist road. Building and developing

the socialist nationality relations of equality, unity, mutual assistance, cooperation, and common prosperity, adhering to and improving the system of regional autonomy of minority nationalities, and opposing nationality discrimination and nationality separation have become the important contents of the basic theory and practice of building socialism with Chinese characteristics. As a basic policy and basic system to solve the nationality problems of our country, regional autonomy of minority nationalities is being further improved. A large number of minority-nationality cadres have grown up and the party and state continue to adopt measures to further strengthen the training of nationality cadres, to increase their number, to enhance their quality, and to improve the structure. The unity of the party and the patriotic personages of minority nationalities has been consolidated and strengthened. In the course of modernization construction, the party and state attach importance to helping all minority-nationality areas develop their economic, cultural, and education work and integrate the development of the economy of the minority-nationality areas with the assistance of the state with the self-reliance of the minority nationalities. The party and state also attach importance to the integration of state development of the resources of minority-nationality areas with the development and prosperity of the minority nationalities of these areas and the specific interests of the minority-nationality masses. The state also wants to integrate the superiority of the resources of minority-nationality areas with the superiority of the talented people, funds, and technology of the coastal areas and the economically developed areas of the interior, and gradually remove the gaps existing among the nationalities at different degrees in the economic and cultural aspects that have been left over by history so that we can gradually become prosperous together and achieve de facto equality of all nationalities.

8. The policy of freedom of religious belief is resumed and adhered to and the united front of the party and patriotic religious circles of all nationalities is consolidated and expanded. We politically unite and cooperate with the personages of patriotic religious circles. We and the personages of patriotic religious circles respect each other in ideology and belief, unite with them, teach them and religious believers to adhere to the principle of maintaining independence, keeping the initiative in their own hands, and running a church by themselves, stop the domestic and foreign hostile forces from utilizing a religion to perpetrate infiltration, and hit, divide, and disintegrate the underground religious forces. The patriotic religious organizations and personages of religious circles are directed to link loving the country with loving their religions. On the foundation of reform of the religious system after the founding of our country, the religions are helped to suit the socialist system.

9. Representative figures of the younger generation are vigorously trained and promoted. During the long-term historical development of the united front of our country, a large number of representative figures have

emerged and have made important contributions toward the establishment and development of the united front. In the new historical period, the party and state are vigorously stepping up the work of promoting and training representative figures of the younger generation and actively recommending and appointing non-Communist Party personages who have both ability and political integrity and regard this as an important aspect of the party's and state's work concerning cadres.

10. Party leadership over the united front is strengthened and improved. The issue of leadership is the most fundamental issue of the united front. In the new historical period, only by strengthening and improving party leadership can we guarantee that the patriotic united front will give full play to its active role in building the socialist cause with Chinese characteristics. To exercise party leadership over the united front, 1) it is necessary to rely on the party's political firmness, its correct line and policies, and the Communist Party members' exemplary vanguard role and to unite the non-party personages to work hard to realize the common tasks. 2) It is essential to consult non-party personages on an equal basis, to seriously listen to their views, to accept their supervision, and to enable them to understand and accept the party's correct views. 3) It is imperative to respect the interests of the non-party personages. 4) It is necessary to foster the excellent tradition of self-education and to do ideological and political work well. The party must have correct ideological methods and methods of work in exercising leadership over the united front and adhere to the doctrine that everything has two aspects; it must seek and further the generality and pay attention to the discrepancy; it must have both the sense of principle and flexibility; it must lay stress on unity, cooperation, friendship, and human feelings and give well-meaning assistance and education; it must conduct both criticism and self-criticism; it must oppose closed-door, perfunctory, or excessively accommodating attitudes.

Since the Fourth Plenary Session of the 13th CPC Central Committee, the party Central Committee with Comrade Jiang Zemin as the core has attached great importance to the united front work, seriously summed up experiences, adhered to what is correct, improved what is inadequate, and corrected what is erroneous so that our party's principles and policies of the united front are further implemented, enriched, and developed. On the foundation of joint consultation of the party Central Committee and all democratic parties, the "views of the CPC Central Committee on adhering to and improving the system of multi-party cooperation and political consultation under CPC leadership" were formulated and proclaimed; a national conference on the united front work was held, Comrade Jiang Zemin made an important speech on behalf of the party Central Committee, and worked out important documents on strengthening the united front work. The party Central Committee clearly and definitely pointed out that the united front was in the past, is now, and will still be an important magic weapon of our party, which cannot be weakened but must be strengthened and which cannot be belittled but must be expanded. The patriotic united front of

our country is forging ahead triumphantly along the road of building socialism with Chinese characteristics.

On the road of building socialism with Chinese characteristics, we have already scored achievements that attract world attention. Even the representative figures of the Western bourgeoisie cannot deny this. They, however, place hopes on political evolution and a change in the political situation to be brought about by economic development. We have every reason to believe that they will fail to attain their hopes. In the wake of the triumphant advancing of the socialist cause with Chinese characteristics, the patriotic united front of our country will surely be further consolidated and expanded, the consistency in the patriotism and socialism of the people of all nationalities of our country will surely be greatly strengthened, and at the same time, the united front will be even more varied and lively. This is the general tendency of the development of the patriotic united front of our country.

#### **GUOJI SHANGBAO Publishes Additional Issue**

*HK1507063091 Beijing GUOJI SHANGBAO in Chinese  
27 Jun 91 p 1*

[Article by GUOJI SHANGBAO Editorial Department:  
"Serve Readers Better: To Readers on Increasing  
Number of Issues Each Week"]

[Text] With the approval of the State Press and Publication Administration, as of 1 July, this newspaper will change from three issues a week to four issues a week. Aside from publishing an issue every Tuesday, Thursday, and Saturday as usual, we shall add one more issue on Sundays as a weekly issue. The change is in keeping with the needs in the development of our nation's foreign economic relations and trade, and will also provide better services for our domestic and overseas readers.

GUOJI SHANGBAO started over six years ago. With the care and support of various quarters concerned, the newspaper has made positive contributions to the work of giving publicity to the development of our country's opening-up policy and to the development of our foreign economic relations and trade. The paper changed from two issues a week to three issues a week, with an additional weekend issue, in order to meet our readers' needs. With the further expansion of our country's opening up and the further development of the outwardly oriented economy, more readers need to acquire more timely information from GUOJI SHANGBAO and regard the paper as an important reference for their work. GUOJI SHANGBAO's authoritative status in the field of foreign economic work and foreign trade has been acknowledged by society. This has greatly encouraged and will continue to spur on the newspaper's staff. We are well aware that the newspaper still has many shortcomings and still cannot satisfy all of our readers' needs. We appreciate the well-meaning criticisms and constructive proposals from our enthusiastic readers,



who always show loving care for this newspaper. This time, the change represents a major measure for improving our work.

After the change, the issues published on Tuesdays, Thursdays, and Saturdays will markedly increase the quantity of information and will publish more current reports. Aside from carrying reports about major economic and trade news at home and abroad, GUOJI SHANGBAO will increase the space covering items oriented to enterprises and grass-roots units, such as policies, regulations, and professional knowledge in various fields that should be made known to the enterprises. We also plan to increase the number of special columns and broaden the scope of coverage. At the same time, we have also adopted some measures for enhancing the quality of the newspaper's reports and articles. In short, we shall strive to make the newspaper's contents more substantial, more interesting, and better suited to our readers's needs.

The original weekend issue will be changed to a weekly published on Sundays. This is a major adjustment. In the past, the weekend issues did not have a strong "weekend flavor" because they still carried too many news reports. After the weekend issue is changed into a weekly, it will no longer carry ordinary news reports. Instead, it will mainly carry newsletters, features, reports, survey reports, theoretical essays, digests, practical information, and domestic and overseas jottings and notes which are related to foreign economic work and foreign trade. So the readability will be increased, and readers' needs in various aspects will be better satisfied.

This will be a major change in the work of the newspaper office, as it will add to the staff's workload and will set higher requirements on the quality of reports and newspaper editing. The newspaper office must fulfill these tasks without getting additional staff. So we need to adopt some corresponding reform measures and make our management more effective in order to tap our internal potential. As 1 July draws near, the entire staff of GUOJI SHANGBAO are working hard to prepare for increasing the number of issues every week. We are determined to publish an up-to-standard newspaper to great the party's 70th birthday.

Readers are the best judges to say whether the newspaper is good or not. We ardently hope that our domestic and overseas readers will continue to give us criticisms and proposals and will help us run the four issues each week so that this newspaper can make greater contributions to the development of our country's foreign economic relations and trade.

### Science & Technology

#### \*Space-Qualified CMOS ICs Receive Approval

91P60215A Beijing ZHONGGUO DIANZE BAO  
in Chinese 7 Jun 91 p 5

[By Ding Yanshen (0002 3601 3947): "CMOS Integrated Circuits for Long-Life Communications Satellite Equipment Pass Appraisal"]

[Text] Designed for use in long-service-life communications satellite equipment, 28 varieties of radiation-hardened, space-qualified silicon aluminum-gate CMOS ICs [complementary-metal-oxide-semiconductor integrated circuits] developed by the Beijing Municipal Semiconductor Device Plant No. Three passed technical appraisal on 28 May. The indicators of the new ICs for resistance to radiation doses and for reliability all comply with satellite contract specification requirements, and fill a domestic void. The developers of these products completely relied on their own technical forces, and gradually worked out the production technology for realizing radiation hardening, including batch production of the ICs.

#### Song Jian Inspects Shandong Hi-Tech Zone

OW1307172491 Beijing Central People's Radio  
Network in Mandarin 1000 GMT 10 Jul 91

[From the "National Hookup" program]

[Text] Song Jian, state councillor and director of the State Science and Technology Commission, recently inspected Shandong. One of the key areas he inspected was the Weihai Torch Plan High Technology Industrial Development Zone, which is presently under construction. He gave high evaluation to the construction of the development zone. He urged people in Weihai City to do their best in developing high and new technology industries and to make their city rank with the world's modern cities.

Song Jian pointed out: Talented people hold the keys to developing a high science and technology industry. It is therefore necessary to use all methods to attract and train world-class and high-level specialized talents. Song Jian also pointed out the need to continuously stress technological progress and economic development in rural areas while promoting high and new technologies.

During his stay in Weihai, Song Jian called on the local fishing industry to strive after better unity so as to develop ocean-fishing; he also urged the fishing industry to vigorously develop aquaculture in the coastal areas through science and technology.

#### Success Seen in High-Tech Development Zones

HK1507024291 Beijing CHINA DAILY in English  
15 Jul 91 p 2

[By staff reporter Wang Dongtai]

[Text] China has set up 38 high technology development zones where a batch of enterprises combining technology, manufacture and trade are beginning to show improved efficiency.

Officials from the State Science and Technology Commission said that both central and local governments are encouraging technological development with favourable policies.



In March this year, the State Council approved 26 high technology zones as state-level development zones. Counting an earlier-established zone in Beijing, the country has a total of 27 state-level high tech zones.

Within these zones, high-tech enterprises approved by the government can be exempted from income tax for the first two years.

After that, according to the policies of the central government, high-tech enterprises need pay income tax at a rate of only 15 percent.

Liu Hongjun, an official from Dalian high and New Technology Industry Zone said that they would issue favourable policies combining central and local government ideas.

The Dalian zone is one of the 27 state-level zones and is in the Dalian Economic Development Zone.

Liu said that before 1995, all the profits made by the high technology enterprises will be ploughed back within the zone for further development.

At present, he said, 30 projects had been approved to start. Sanwei High Technology Development Company was one of the 30 projects and was established in May this year.

On May 11, Chen Shijie, president of the Sanwei Company signed a contract with an Indonesian company and transferred the technology for the making of plastic boats to Indonesia.

The boats are made from one piece of plastic using a world-level invention by Chen.

The company has also signed a contract with a Canadian company to transfer the same technology to Canada. Again, half the money made was invested on the spot.

The Sanwei Company, with 80,000 square metres of space in the Dalian zone, plans to make other kinds of plastic products like plastic houses and pipes.

Investment within the high technology zone has reached 20 million yuan (\$3.77 million) and the technologies for development include micro-electronics, new materials, optical electronics, new energy sources, medical sciences and bio-technology.

#### Ministry To Launch Technological Projects

OW2706204391 Beijing XINHUA Domestic Service  
in Chinese 1058 GMT 27 Jun 91

[By reporter Xu Kehong (1776 0344 3163)]

[Text] Beijing, 27 Jun (XINHUA)—Over the Eighth Five-Year Plan period, the Ministry of Light Industry will feature twelve "Big Dragons" to greatly accelerate the process of modernizing the technology of the light industry and the process of commercializing scientific and technological results.

The "Big Dragons" refer to the campaign to improve light industrial technology, which is organized and carried out by the Ministry of Light Industry. The dragon project, aimed at finding a shortcut for modernizing light industrial technology, will be carried out by making an overall plan of the various factors that affect the improvement of technology for producing a number of high quality products specially selected for this purpose. Necessary funds and technological means will be drawn for the project in order to improve technologies used in various production operations of these selected products, thereby giving an impetus to improving the entire technology of related industries.

In tackling key technological problems and developing new technologies, people in the past tended to believe that a plan was fulfilled once initial results were achieved, and they placed major technological transformation efforts on expanding technical facility. Xiao Yongding, vice minister of Light Industry, pointed out: In carrying out the dragon project, we will address all major technological and equipment problems as a whole, and, following the system engineering method, organize in an optimum way financial, material, and manpower resources as well as all phases of scientific research and manufacturing and production operations, in order to achieve better technological transformation results and finally achieve a mass commercialized production capability. Xiao Yongding said: The experimental unified beer production process conducted during the Seventh Five-Year Plan period has provided a good sample. The process enabled us to set up twenty beer production lines, and its technological level also reached international level of the 1980's.

It was learned that twelve "unified production process" projects for improving light industrial technology will be implemented during the Eighth Five-Year Plan period. Success in improving the technologies for producing home electrical appliances, high-grade pottery and ceramic ware, and detergents; in developing new technology and products to replace freon; in improving technologies for processing foods and natural beverages and for making energy-saving light bulbs; and in developing new technology for salt making, will inject new vitality into and add new colors to the national economy and the masses' daily life.

#### Speeches at Seminar on High-Tech Zones

HK2106082191 Beijing RENMIN RIBAO in Chinese  
3 Jun 91 p 5

["Excerpts" of speeches at "Seminar on Strategy for Developing China's New High-Tech Industrial Development Zones" held in Beijing in early May 1991, under heading "Develop High Science and Technology, Apply Them in Industry"]

[Text] Editor's note: The first "Seminar on the Strategy for Developing China's New High-Tech Industrial Development Zones" was held in Beijing in early May

1991 under the joint auspices of the industry and transportation group of the State Council's Research Office, the Torch Office of the State Science and Technology Commission, the Beijing Municipal People's Government's Research Office, and the Beijing Municipality's experimental zone for the development of new high-tech industry. Some 500 participants to the seminar conducted heated discussions and aired their respective views on the following issues: "The question of operational mechanism in new high-tech industrial development zones," "the significance and role of new high-tech industrial development zones in the national economic and social development," "the question of the direction of the development of new high-tech industrial development zones and the external environment and conditions conducive to industrialization and internationalization," and "the question of further utilization of foreign capital in new high-tech industrial development zones." Excerpts of speeches by some comrades are published here. [end editor's note]

#### **Yuan Mu [5913 2606]: Promote Healthy Growth of New High-Tech Industrial Development Zones**

After approving the establishment of the Beijing experimental zone on the development of new technological industry in 1988, the State Council recently picked out 26 new high-tech industrial development zones in various regions and designated them as state new high-tech industrial development zones. It also granted them corresponding preferential policies. This is an important decision in the implementation of the "Outline of the PRC's 10-Year Program and of the Eighth Five-Year Plan for National Economic and Social Development." It is also a major step to develop our country's new high-tech industries and promote technological progress as well as industrial upgrading in our country.

It has been the consistent proposal of Comrade Xiaoping to develop science and technology and revive the economy. Following the Third Plenary Session of the 11th CPC Central Committee, Comrade Xiaoping first expounded the famous thesis: "Science and technology is a force of production and the number one force of production." Next, he demanded that the entire society give respect to talent and to knowledge. Recently, Comrade Xiaoping again wrote an inscription to promote our country's high technology: "Develop high technology and realize industrialization." These ideas of Comrade Xiaoping have an immense and far-reaching impact in guiding the socialist modernization and construction endeavor in our country. To consider the establishment of new high-tech industrial development zones as a major policy and principal measure in the current effort to develop the country's new high-tech industries—this is the precise manifestation of the aforementioned ideas of Comrade Xiaoping.

The significance of establishing and developing new high-tech industrial development zones in our country may perhaps be further understood in the following ways:

- It contributes to the exploration of a new mechanism to boost technological advances in our country. For a very long time in the past, even though we exerted fairly great efforts to promote technological advances, the results were always less than satisfactory because of our failure to resolve effectively the question of the "interrelationship" between science and technology and the economy. The establishment and development of new high-tech industrial development zones is an important attempt to overcome this defect. Judging from the experiences in our country in the last few years, it could be feasible and fruitful.
- It contributes to a better exploitation of the advantage in manpower, technology and scientific research in areas with a heavy concentration of talent and to the rapid transformation of scientific and technological findings into a direct force of production. The establishment of new high-tech industrial development zones in areas with a heavy concentration of talent or at their peripheries is the road to success which was taken by developed countries. According to incomplete statistics, more than 300 similar development zones have been created all over the world. Basically, the new high-tech industrial development zones in our country are set up by relying on areas with a high concentration of talent. Even though, generally speaking, a gap still exists between us and other countries, our areas with a high concentration of talent can be shaped into a "fist" which can marshal various efforts to carry out major undertakings. They can transfer some high-tech findings into the industrialization process as soon as possible and promote the growth of the entire national economy.
- It contributes to the readjustment of our industrial structure and the transformation of traditional industries, and plays a fairly big role in enhancing the international competitiveness as well as the economic might of the entire country. Following two years of economic improvement and rectification, the entire national economy is moving in a good direction. Today, everyone shares the consensus that improvement of the industrial structure, further improvement of economic performance, and raising of labor productivity should have an important place in our country's economic undertaking. Grasping the link of establishing and developing new high-tech industrial development zones and giving full play to their role in effecting and bringing about changes, particularly in promoting the application of new industrial high-tech findings in order to transform traditional industries—this could be immensely beneficial to the growth of the national economy.
- It contributes to the continuing deepening of reforms in our country. The new high-tech industrial development zones are a product of the reforms as well as an important feature of further efforts to deepen reforms. Because of the special structure, development needs, policies and measures of the development zones, they have to be a step ahead of the country in carrying out

reforms in various aspects. Therefore, they are also experimental zones for economic structural reform and scientific and technological structural reform.

Along with the accumulation of practice, people have acquired a clearer understanding of the important significance of the establishment of new high-tech industrial development zones and they have become more conscientious about it. This is inseparable from the work conducted by the Beijing Municipality's experimental zone on the development of new high-tech industrial technology. In summing up the experiences of the new high-tech industrial development zones over the past three years, we can confidently make the following assessment: The road has been opened up, experience has shown it to be correct, and the results are satisfying. It goes without saying that we have had our share of mistakes and faults in the course of exploration. This is the price to be paid for the healthier development of our new high-tech industrial development zones in the future. An understanding and correction of defects and flaws can help us perform our work better in the future.

Today, as our new high-tech industrial development zones face a new stage of development, we need to resolve certain still unclear questions from the theoretical point of view on the basis of summing up experiences and lessons. By doing so, we will have a clearer understanding of the efforts to promote new high-tech industrial development zones. I feel that in terms of macroeconomics, there are principally four issues which require our further study and exploration.

The first is the question of operational mechanism regarding our new high-tech industrial development zones. Because the objective of our establishment of new high-tech industrial development zones is the industrialization of high-tech findings, it is necessary that the zones have a different operational mechanism from those of ordinary areas, including the special economic zones and coastal economic development zones which we set up in the past. The basic features of this new operational mechanism should be standardized according to the industrialization, commercialization and internationalization of high-tech findings. It is then necessary to amend certain old practices and methods. The various links, including scientific research, experimentation, production and sales (including exports) should be organically integrated in the development zones. It should be said that such a big problem cannot be resolved by relying solely on the efforts of scientific research units and scientific and technological administrative departments. It requires the support of all circles and all sectors of society. At the same time, the administrative organs in the development zones should be granted the necessary management and regulatory functions in order to assume these responsibilities.

The second is the question of the role of new high-tech industrial development zones in our country's economic construction and social development. We already have a certain foundation in the understanding of this question.

The principal issue at the moment is the integration of the unique law on the development of high-tech industry with the ordinary law on the economic and technological development of the entire country and a further understanding of the special role played by new high-tech industrial development zones. An understanding of this special role will help us determine guidelines and policies, and correctly guide the development of new high-tech development zones.

The third is the question of direction in the development of new high-tech development zones and the external and inherent conditions necessary for the realization of industrialization, commercialization and internationalization. Following years of practice, we have gradually realized that without the complementary relationships linking industrialization, commercialization and internationalization, it would be difficult for our country's new high-tech industry to flourish rapidly. However, the realization of industrialization, commercialization and internationalization can only be achieved step by step and not overnight. Generally speaking, it is necessary to have a fairly clear understanding of the external atmosphere and the inherent conditions. What are the requirements in terms of structure, policy and work? What is the present condition? What is acceptable and what is not? What is to be done henceforth? What would require state assistance and what would primarily require efforts by the localities and the enterprises? An effective resolution of these problems and an integration of the needs and the possibilities is one of the most important and most fundamental tasks we need to carry out in order to do a good job regarding the new high-tech industrial development zones.

The fourth is the question of how to make use of foreign capital and import advanced technology into the new high-tech industrial development zones. Opening up to the outside world is an established state policy in our country; it is also an important way to make use of the international conditions in order to develop the economy. Given the tight financial situation in the country at the moment, it is necessary to give full play to the advantages in manpower, technology and scientific research enjoyed by the new high-tech industrial development zones, and to actively attract foreign investors to take part in the building of the development zones. The introduction of foreign investments is also an important way for our new high-tech industry to march toward internationalization. It is not only necessary but also possible to build the development zones with foreign capital. International capital, especially capital from regions with less advanced high technology, is interested in investing in new high-tech industries. In fact, some tri-capital [san zi 0005 6327] enterprises have already been set up in the development zones. To make better use of foreign capital and import advanced technologies, we need to emancipate the mind further, readjust policies, and create a better investment environment as far as possible. Naturally, the premise for the establishment of new high-tech industrial development zones is reliance on our own scientific and technological resources and not on foreign capital.



Hence, in making use of foreign capital, we should take heed to step up management, prevent and avoid indiscriminate pursuits, and take into full account both short-term and long-term interests.

The new high-tech industrial development zone is something new which has emerged in the new situation. Some partial mistakes are inevitable in the course of its development. We should be mentally prepared for this. The main problem at the moment is the need to support the healthy growth of this new thing. To do so, it is necessary to absorb the experiences and lessons of the past and avoid the bandwagon effect which could create new sources of investment bottlenecks. The state has already granted many preferential policies to boost the growth of new high-tech industrial development zones and has also laid down fairly strict regulations. All localities should avoid disparity in the implementation of the regulations. We establish new high-tech industrial development zones in order to promote the new high-tech industries. As it forms an important part of our country's industrial policy, it is necessary to have strict policy regulations. The preferential policies granted to new high-tech industrial enterprises should not be expanded to other enterprises. This is also something which should be clarified right at the start of our practical work.

The 21st century will be the age of the growth of high technology. To us, this represents both a challenge and an opportunity. A consensus has gradually formed in the entire party and among the people of the whole country on the acceleration of the development of high technology. It is expected that a new environment, a new atmosphere and a new trend characterized by the unanimous support for the development of new high-tech industries by the entire party and the people of the whole country will gradually take shape. Here lies the hope for a revival of science and technology and of the economy. Here lies also the hope for the rejuvenation of the country and of the nation. In the 1950's and the 1960's, with the keen attention and support of Chairman Mao, Premier Zhou and the older generation of proletarian revolutionaries, we displayed the superiority of socialism with major breakthroughs in nuclear and space technologies and the successful research and development of the "atomic and hydrogen bombs and satellites," greatly enhancing our comprehensive national might and international standing. In the 1980's, under the care and concern of Comrade Xiaoping, we also scored remarkable achievements in high technology. The positron-negatron collider [dui zhuang ji 1417 2326 2623], theoretical research into superconductivity and man-made satellite recovery techniques—all these are at the forefront of the world's advanced levels. Today, the CPC Central Committee and the State Council have stressed more explicitly that new high-tech industries will be the focal point of our development in the 1990's. Comrades Jiang Zemin and Li Peng have issued very important speeches about this. As many comrades have said, spring has once again descended upon our country's scientific and technological as well as economic development. We are fully convinced that as the Chinese people

march along the path toward a new technological revolution, the new high-tech industrial development zones, as a frontline army, will play an increasingly bigger role and make an increasingly greater contribution.

#### **Ma Hong [7456 3163]: Development of New High-Tech Industries, Strategic Choice Concerning Operational Mechanism**

In the party's fundamental line of one center and two basic points, the center is economic construction, whose core issue is the development of the social forces of production as soon as possible. Science and technology represents the number one force of production. Hence, promoting the development of new high-tech industries is of very great significance in accelerating the growth of the forces of production in our country. The establishment of new high-tech industrial development zones is a very important strategic measure designed to speed up the development of new high technologies. I should like to air two views on the strategy of developing new high-tech industrial development zones. The first question concerns the choice of strategic industries and strategic products. Over the last 10 years of reform and opening up, our economy, along with various industries, has experienced tremendous growth. However, as we promote new high-tech industries, we should pay attention to the questions concerning the trend and irrationality of the industrial structure and pattern in various regions in the course of industrial development. Today, everyone is very enthusiastic about the establishment of new high-tech development zones, but what precisely should be developed and what products and industries should be promoted? The usual answer is electronics. It is alright to go into electronics, but to engage in the same sector and manufacture the same product would be wrong. Furthermore, I have discovered that non-high-tech enterprises have been set up in some so-called new high-tech development zones, where factories applying ordinary technologies, such as toy factories, animal feed plants and porcelain factories, have been established under the guise of high technology. This question should be studied intensively; otherwise, we will have to undertake yet another structural readjustment after some time. That would lead to huge wastage of resources and time. And new high technology will not be developed smoothly either. How can this problem be resolved satisfactorily? First of all, the state should have a rational plan in terms of macroeconomics. In fact, the state does have some kind of arrangement already. Speaking of the different development zones, they cannot all be identical. Even as they comply with the demands of the state's 10-Year Program and Eighth Five-Year Plan, they should also take into account the distinctive features of their own areas, market demands, local human resources and technological resources in order to determine their own industries and strategic products. Among the high-tech industries in the Beijing experimental zone, 46 percent, or almost half, are devoted to electronics and information, and 21 percent to integrated optical machinery. Together, they make up two-thirds of all industries. Meanwhile, new energy

sources and new materials make up 16 percent, and biological engineering 5 percent. This shows its distinctiveness: Not everything has to be done on a grand scale. The successful experience of Guigu demonstrates that the correct or incorrect choice of key industries in a new high-tech development zone will directly affect the zone's development and future. If a correct choice is made, then new high-tech industry and development zones will grow very fast and achieve outstanding economic results. Otherwise, the results will be the opposite.

The second question concerns the strategic choice of operational mechanism. The special characteristics of new high-tech industries demand a more flexible operational mechanism. If, for instance, our existing system and mechanism is not suitable for traditional industries, then it will be even more unsuitable for new high-tech industries and products. As new high-tech industries are newly emerging industries, we may adopt an entirely new operational mechanism which is not restricted by the traditional system, or else new high-tech industries will not flourish. Therefore, we need to have the spirit of reform and of struggle in order to build this new endeavor. I appreciate the "six principles" proposed by the Beijing experimental zone, that is: Raising its own capital, free organization, self-administration, responsibility for profits and losses, self-development, and self-restriction. Comrade Yuan Mu said a while ago that the state attaches great importance to the development of new high-tech industries and that the state will exert the greatest effort to promote it within an acceptable scope. But as the financial resources of the state are limited, it is not possible to rely solely on direct state investments to develop new high-tech industries. The state did not invest directly in the Beijing experimental zone, but scientific research units, public institutions, and enterprises did so during the 10 years of reform. This is a good thing. There is also the question of ownership. In developing new high-tech industries, is it better to have a single ownership system, or one dominated by the public ownership system but also allowing for the existence of various economic forms? The state plan says the latter is better because it allows for a more effective implementation of the six principles. Otherwise, it will be difficult to carry out the six principles. The integration of technology, labor and trade as proposed by the Beijing experimental zone is a good method. In our traditional industries of the past, labor was labor, trade was trade, and technology was technology, each independent of the other. Our new high-tech industries call for the combination of the sale and production of technology and products (of course, the development of domestic and international trade may also be integrated). This will spur on the further growth of our new high-tech industries.

**Gao Shangquan [7559 1424 0356]: Reform Is Powerful Driving Force Behind Scientific, Technological Advances**

The Beijing Municipality's experimental zone for the development of new high-tech industries is a product of reforms. Three years after its inception, it has already achieved encouraging results. What inspiration can we

draw from the experience of the past three years? I think there are four notable points.

1. If science and technology is to become the genuine number one force of production, it has to undergo commercialization and industrialization. The development of new technology by the experimental zone through its reliance on the advantages enjoyed by areas with a high concentration of talent did not stop in the laboratory. Rather, it adopted effective measures to publicize the application of the new technology and actively encouraged and supported the commercialization and industrialization of science and technology. If there is no commercialization, there can be no industrialization either; and the development of industrialization will boost the promotion of commercialization. Development of science and technology and of the economy in a country requires not only strong abilities in scientific research and technological development, but also the successful transformation of science and technology into commodities in order to obtain economic results. In a sense, the latter is more important than the former. In April 1988, I led a delegation to Oxford University in England to take part in the "International Symposium on Scientific and Technological Development and Structural Reforms." At the meeting, the noted Professor Rosenberger from Stanford University of the United States spoke on research conducted by the U.S. Library of Congress: In a survey of Nobel Prize winners compared with the economic and social development of their respective countries, it was found that the countries with the highest number of Nobel Prize winners do not necessarily have high economic growth rates. Japan has had five Nobel Prize winners, while the (Cavendish) Laboratory of England has had 10 times more Nobel Prize winners than Japan [as published], yet Japan's post-World War II economic achievements have far outstripped those of England. Hence, there is a saying going around in the world: England's scientific research, Japan's products, and the United States' markets. By relying on its ability to absorb and transform commodities, Japan has reaped enormous economic benefits. As the economic competition in the world today is manifested more and more in the competition concerning the technological level of commodities, it is therefore necessary to accelerate the transformation of scientific and technological findings to a real force of production by commercialization and industrialization.

2. Science and technology has to integrate with the market in order to generate high returns. In the three years since the Beijing Municipality's experimental zone for the development of new high-tech industries was established, even though it encountered numerous problems in view of the tight monetary situation, sluggish market and economic slump in the country, it has still seen a strong demand for its products and a slight picking up in the otherwise sluggish market. The reason is that it has integrated science and technology with the market and has been guided by the market. The market is linked with the division of labor in society and with

commodity production. It is a product of the commodity economy, and not a capitalist patent. Lenin once said: "Where there is division of labor and production of commodities, there is a 'market.'" (*Complete Works of Lenin*, Vol 1 p 83) A considerably big part of new technology grew out of market demands. Along with social and economic growth, society's product and consumption demands also became more diversified and multileveled, with an increasingly stronger trend toward specialization of the market and expansion of the scope of the development and application of new technology. Given the conditions of commodity economy, market competition is an important driving force behind technological advances. In the past, the Soviet Union and the East European countries spent a considerable sum on scientific and technological development, accounting for 25 percent of the world's total expenditure. But their export of technology was only 1 percent of the world's total exports. Therefore, it is necessary to establish a mechanism for market competition and to develop the technological market in order to promote technological advances and accelerate the growth of new high-tech industries. With such a mechanism, the demand for technology will increase and material and human resources will be fully mobilized.

3. The invigoration of enterprises and their gradual evolution into commodity producers and operators which enjoy the authority for self-administration, accountability for profits and losses, self-development and self-restraint form the central link in the development of new high-tech industries. Over the past three years, the experimental development zone was able to attain a growth rate of more or less 50 percent for one important reason: Invigoration of the enterprises. Given the external pressures and internal driving force, the zone relentlessly upgraded its capability to develop new high technologies, stepped up the pace of development, and raised economic efficiency.

4. The new high technologies grew out of the prevailing conditions and market demands in our country, and not out of the blind pursuit of "high" and "new." In reality, some new high technologies may be a success technically speaking, but they can be failures economically speaking; some minor technological innovations may not be technically outstanding, but once they are accumulated, they can produce economic and social returns more remarkable than those of a big invention. For instance, the Concord supersonic jet jointly manufactured by Britain and France can fly across the Atlantic in three hours. Technically speaking, it is "high" and "new," but a total of only 16 Concorde were manufactured from investments amounting to several hundred billion dollars; meanwhile, containers may not amount to much high technology, but they triggered a major revolution in mode of transport and produced immense economic returns.

Reform is the enormous driving force behind scientific and technological advances as well as economic growth. We should further deepen the reform of the scientific

and technological structure and of the economic structure, establish a vibrant and lively new system and mechanism which contributes to scientific and technological progress and to economic growth, make enterprises the principal body in the development of technology, strive to explore a way to realize a system of public ownership, actively promote groups of enterprises, push forward the development of new technology, and speed up the transformation of scientific and technological findings into a real force of production.

#### **Lu Yucheng [7120 1342 3397]: March Toward Industrialization of New High Technologies**

The three-year-old Beijing development zone was the first state-level new high-tech industrial development zone approved by the State Council. Recently, another 26 new high-tech industrial development zones were approved by the State Council. Hence, the question of how China is to promote its new high-tech industrial development zones is no longer a theoretical one, but a realistic one of extreme urgency. As an actual participant in the project, I feel that there are certain issues which need further study and discussion.

First is how to evaluate the position and role of new high-tech industrial development zones in the process of socialist construction in our country. Comrade Xiaoping spoke of science and technology as the "number one force of production"; recently he wrote an inscription: "Develop high technology and achieve industrialization." The economic race in the world today is manifested more and more in the technological level of commodities. To a certain degree, modern warfare has turned into a contention in high technology. In a sense, the rejuvenation of the Chinese nation depends on the development of new high technologies. The central leading comrades have said: It is necessary to grasp new high technologies in the same way that we grasped the "two bombs" in the early years. At the moment, everyone is talking about a readjustment of industrial structure and product mix. This readjustment, along with the growth and progress of our entire society, is dependent on the development of new high technologies and the formation of new high-tech industries. The establishment of development zones is an important way to develop new high-tech industries, and the new high-tech industries in our country can achieve historic progress in the intense worldwide competition only after it has been placed in an extremely important strategic position, understood as such, while corresponding development strategies, policies and measures are also formulated.

Second is the question of the commercialization and industrialization of new high-tech findings. Even though our country is rich in intellectual resources, large numbers of scientific and technological findings have been restricted to the laboratories, institutes and scientific research organizations over the years because of the constraints imposed by the old economic structure and old scientific and technological system. They were not converted into commodities nor forces of production. However, this has been achieved in the experimental zone. For instance, the laser arrangement



system of Beijing University's new technical firm has now taken over the domestic market as well as opening up the international market. Its annual profit is over 100 million yuan. Stone's typewriter has an 80 percent share of the domestic market and has now started to march toward the international market. This is a question worth pondering. Even though the country experienced a sluggish market in recent years, the experimental zone managed to maintain simultaneous growth of output value, results and foreign exchange earnings at such high rates as 40, 50 and 60 percent. There are three principal reasons: First is the 18 policies decided by the state which provided excellent external conditions for the growth of the experimental zone. Second is the enterprises' new operational mechanism founded on the "six principles." The most important features of the "six principles" are the "authority for self-administration" and "accountability for profits and losses." The lack of vitality in a fairly large number of big and medium-sized enterprises may be attributed to the absence of these two elements; the state continues to assume too much responsibility and in cases where an enterprise is clearly losing money, it continues to hand out wages and cash awards. Meanwhile, the mechanism of new high-tech industries within the experimental zone is a completely new one characterized by an abundance of life and vitality. Naturally, there is room for further development and perfection. More importantly, the experimental zone has seen the emergence of a large number of entrepreneurs who are adept at transforming scientific and technological findings into forces of production. They were the ones who converted ordinary scientific and technological findings into forces of production; they were also the ones who, once vilified as "hustlers" from "scoundrels' street," transformed hundreds and thousands of scientific and technological findings into genuine wealth of the country. The research and development of one finding is no doubt very important. But to turn it into a real force of production is even more important. Their labor should receive even greater attention and evaluation. What is the next step to be taken by the Beijing development zone? I believe that it is necessary to march toward industrialization and accelerate the commercialization of scientific and technological findings simultaneously. Industrialization is easier said than done. It is necessary to have an industrial base, the environment and conditions for industrialization, and, more importantly, a large number of entrepreneurs to achieve industrialization. At present, our Beijing development zone has nearly 1000 high-tech enterprises, most of which do not have the necessary basic conditions for the march toward industrialization, hence further efforts are required. I think the formation of a rank of entrepreneurs driven toward industrialization is of the utmost importance.

Third is the question of reform in the new high-tech industrial development zones. The establishment of new high-tech development zones stems from the reform of the scientific and technological structure. However, further development, notably the march toward industrialization, is no longer a simple question concerning the reform of the scientific and technological structure. It now touches on the question of economic structural

reform. Hence, it is necessary to regard the building of the new high-tech development zones as the central topic of our economic construction endeavor, study it as a principal subject of our economic structural reform and then map out the necessary decisions.

The industrialization of new high technologies is a revolution. It is the subject of worldwide studies and concerns. In building our new high-tech development zones, we should not isolate ourselves and lock ourselves inside a small circle. Even as we stress self-reliance, we should also continue to embark firmly on the road of "import and export." Import means the importation of manpower, technology, capital and advanced management experience; export means the exportation of our products. Therefore, it is absolutely necessary to take the export-oriented way and to devise ways and means for our new high-tech enterprises and products to take part in international competition, moving into and gradually entering the international market. In my view, a development zone which fails to accomplish this is not a successful development zone.

## Economic & Agricultural

### Peng Chong Attends CSIBA Meeting in Beijing

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in Chinese 0419 GMT 9 Jul 91

[Text] Beijing, 9 July (XINHUA)—The Chinese Society of Industrial and Business Administration [CSIBA] was inaugurated in Beijing today. Peng Chong, vice chairman of the National People's Congress Standing Committee, attended the ceremony to extend his greetings and was named honorary president of the society.

CSIBA is a national academic body which conducts research on the theory and practice of socialist industrial and business administration in China. In order to serve the leadership in their decisionmaking, the society's theoretical research and academic exchanges will be carried out mainly on applied theories, tied to practice, and will center closely around their central task. The major subjects of research for the second half of the year include: How to give play to the overall function of industrial and business administration, how to explore and develop different types of markets, how to enliven large and medium-sized enterprises, how to develop the collective economy, how to effect appropriate development in the individual and private economy, and how to promote development of enterprises with foreign investment.

### Six-Month Industrial Production Up 13.4%

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1131 GMT 9 Jul 91

[Text] Beijing, July 9 (XINHUA)—China's industrial production, which suffered a prolonged decline last year, jumped 13.4 percent to 1,126 billion yuan in the first half of this year, according to the state statistics bureau here today.

The statistics show that light industry grew faster than heavy industry, registering 15.3 percent as against 11.7 percent for heavy industry in the period.

Of the total, state-owned industry showed a 8.9 percent growth to 729.7 billion yuan while collective industry recorded 19.4 percent—to 326.7 billion yuan.

Most industrial products reported growth: Bicycles up by 20.5 percent; color tv sets, 23.3 percent; refrigerators, 14.5 percent; cotton yarn, 13.8 percent; and beer, 21.6 percent.

Industrial products involving heavy investment also showed big increases: Motor vehicles, 37 percent; machine tools, 20.9 percent; cement, 19.2 percent; and internal-combustion engines, 26.2 percent. Meanwhile, the growth rates of rolled steel, nonferrous metals and sulphuric acid all exceeded 10 percent.

There were three notable points about industrial production in the past six months:

—A balance was maintained in industrial growth. Industrial growth registered 16.4 percent in January and February over last year's same period; and 10.1 percent in March, 12 percent in April, 13.3 percent in May and 13.8 percent in June.

—The state-owned industrial enterprises have played a mainstay role in the economy. They made up 44.8 percent of the newly increased output value in the first half of this year. Collective industry made up 39.7 percent, while the other industrial sectors made up 15.5 percent.

—Contradictions in imbalanced regional development eased. Jiangsu, Zhejiang, Fujian and Guangdong Provinces, which reported a fast recovery in last year's industrial production, continued to keep a higher growth of production, while other provinces such as Liaoning, Henan, Hunan, Sichuan and Shaanxi maintained a rapid growth of about six to eight percent.

Analysts said that the industrial growth should be ascribed to growing market demand. Retail sales jumped 13.6 percent and exports jumped 19.1 percent in the first five months.

In addition, big bank loans also served as the main factor in industrial growth, they added.

Some problems still remain in industrial production, however. The reproduction cycle has been blocked by large stocks of industrial products ranging from means of production to daily-use products.

Industrialists have called on enterprises to check industrial growth speed and control production to within market capability.

### Industrial Output, Product Quality Increase

HK1107113691 Beijing RENMIN RIBAO in Chinese  
6 July 91 p 1

[Report by Zhang Guorong (1728 0948 2837): "China's Industrial Output Rises, Product Quality Improves"]

[Text] The six important economic indicators for the January-May period released by the State Statistics Bureau late in June show that with an overall recovery and upturn in production, market performance, and investment, the continued slump in economic efficiency over the last two years and more has been initially held in check. The national economy has begun to pick up, and product quality has improved to a certain extent.

In the January-May period, various efficiency indicators of budgeted state-run industrial enterprises improved in varying degrees. The growth rate of realized profits and taxes rose to 6.1 from 3.3 percent; the number of loss-making enterprises and the loss incurred in enterprises decreased by 1.1 and 3 percent, respectively; occupation of funds by finished products declined by 3.5 percent; and the situation in which enterprises continued to produce products which had a poor sale has turned for the better.

With an accelerated upturn in industrial production, the labor productivity of the entire body of industrial workers has improved. The increased labor productivity of the entire body of industrial workers of the state-owned independent accounting industrial enterprises caused their output value to swell by 13,539 yuan in the January-May period, up 6.8 percent over the same period last year.

Social demand has also picked up at a greater pace. In the January-May period, the fixed assets investment made by state-owned units increased by 18.6 percent over the same period last year. The total wages of workers nationwide increased by 15.1 percent. There was also an increase in bank loans.

The departments concerned maintained that in the next period the central task of overall regulation and control should be gradually shifted from the practice of promoting economic growth by relaxing control over total demand and supply to the practice of achieving steady growth in total demand and supply and pushing forward structural readjustment and technological progress. For the present it is imperative to implement the State Council's policies for invigorating enterprises and create a favorable environment for enterprises to improve economic efficiency. At the same time, we should commit enterprises to improve their management to enable their economic performance to scale a new height.

**Economist Probes Shoudu, Enterprise Invigoration**  
*HK0707014391 Beijing RENMIN RIBAO in Chinese*  
21 Jun 91 pp 2, 5

[Article by Li Zhongfan (2621 1813 0416), senior economist with the State Commission for Economic Restructuring: "Choices for Invigorating Large, Medium-Sized State Enterprises: Probing Universal Significance of Shoudu Iron, Steel Company's Contracted Operational Responsibility System"]

[Text]

**Importance and Urgency of Invigorating Large and Medium Enterprises**

There is a major problem in today's economic life which has sparked the gravest concern in economic circles, circles of theorists, and government decisionmaking departments at various levels. That is: The economic efficiency of large and medium enterprises has declined; the scope of losses has expanded; and the cycle of production, distribution, circulation, and consumption has obviously been obstructed. This situation is restricting the healthy development of the entire national economy. Invigorating large and medium state enterprises and significantly raising economic efficiency has become a major task which brooks no delay. It has a bearing on whether or not the grand strategic goal of redoubling the national economy set by the party can be accomplished by 2000 and, to an even greater extent, on the important question of whether or not the advantages of the socialist system can be brought into play to prove its superiority of vitality over the capitalist system. On this issue, one should say that the overwhelming majority in the whole party and the entire society have reached a common understanding. As the problem is in focus we should be more resolute in removing all kinds of difficulty, seeking further understanding, and making a correct choice regarding how to invigorate large and medium enterprises, mobilize forces from various quarters to formulate a complete set of policies around this focal point, and create an internal target and an external environment which conform to the effort to invigorate enterprises.

During the 12 years of economic restructuring, the economic circles and theorists have prescribed various "recipes" for invigorating large and medium enterprises. They can be summarized into three propositions and perspectives.

One proposition is that large and medium enterprises are important pillars of the national economy and control must be firmly in the hands of the government. While selective guarantees are given to them in investment, credit, supply of goods and materials, and so on, a policy of "tight control" should be implemented toward them and almost all of the numerous mandatory plans be undertaken by these enterprises. The point of making this proposition obviously runs counter to the development of the commodity economy in a planned way and it is in essence still in the confines of product economy. The result is that large and medium enterprises cannot

obtain vitality and vigor through this. They will remain appendages of the government and their economic efficiency will stay at a low level.

Another proposition is that, to invigorate large and medium state enterprises, it is imperative to define property relations, install a share system, change ownership by the whole people into "joint ownership" by the state, enterprise, and individual, and establish the interests of various parties on the basis of property relations. This viewpoint follows the theory of commodity economy developed on the basis of private ownership and holds that socialist public ownership is incompatible with commodity economy. In practice, it is divorced from the realities of our country characterized by the underdeveloped commodity economy and the serious imbalance in economic development. In the context of such realities, both functions of the share system, fund-raising and fund channeling, are greatly restricted. This limits the scope, form, and degree of application of the share system and makes it difficult to rely on this system as a solution to the problem of enterprise vitality. As far as the entire economic development is concerned, for a fairly long period it can only be a supplementary form and cannot possibly become a main form generally applicable to large and medium state enterprises. This fact has been proved by the 12 years of reform practice. Naturally, however, part of the content of the share system as an organizational, operational, and managerial system for an enterprise has something to recommend it and should be assimilated in an analytical way.

Still another proposition is that of the contract system created and developed in the practice of reform, originating in rural areas with the output-related system of contracted rural household responsibilities. It then developed into urban areas as the system of contracted operational responsibilities in enterprises. The practice of reform has proved that the system of contracted operational responsibilities is highly effective in invigorating large and medium enterprises and promoting the development of socialist commodity economy. Despite the many setbacks and difficulties in the course of its development, it has shown strong vitality. Regardless of people's subjective wishes, it is always in constant development in accordance with the inherent law of socialist commodity economy and in spite of obstacles and interferences. Its superiority finds concentrated expression in the remarkable achievements of a batch of enterprises, represented by Shoudu Iron and Steel Company [SISC], which have been unremittingly following the system of contracted operational responsibilities.

**Inspiration from SISC Contracted Operational Responsibility System**

It has been a good 10 years since SISC installed the contracted operational responsibility system in 1982. The economic efficiency, growth rate, and improvement in the quality and livelihood of the workers which this system brought about are remarkable and generally acknowledged because they are there for all to see. 1



would like to save space on this and only supply a few figures, which will suffice to make my point. During the period when the contract system was in effect, steel output increased 1.5 times; the actualized profit increased 3.8 times, the average annual rate of increase being 20 percent; the profit, tax, and fees turned in to the state increased 2.2 times, the average annual rate of increase being 12.3 percent; the retained profit for the enterprise increased 18.8 times, the average annual rate of increase being 35 percent; the rate of profit and tax in the fund increased 1.1 times from 31.28 percent to 67.4 percent; the annual per capita contribution of profit and tax increased 3.4 times from 6,111 yuan to 26,861 yuan; the ratio of input to output in the investment efficiency was 1:2.62, four times higher than the average in Beijing Municipality; the proportion of those with an educational qualification at or above technical secondary level among the workers rose from 5 to 46 percent; the housing area for the workers expanded 1.7 times; and the per capita income of the workers increased more than three times. In a word, since installing the system of contracted operational responsibility, the SISC has become an extra-large enterprise, specializing mainly in the iron and steel industry, with 120,000 workers and staff members, engaged in 15 sideline trades such as electronic products, possessing 98 factories and mines. Its subordinate enterprises and operational points are in 22 provinces and autonomous regions in the country and 12 countries and regions outside the borders, forming eight major companies, turning out 2.6 billion yuan in profit and tax each year, and having an annual investment capacity of over 1 billion yuan. Its comprehensive economic capacity exceeds that before the contract system was installed by three times. "One SISC has become four." Particularly noteworthy is the fact that during this period, the state made no investment and the abovementioned economic returns were realized mainly through accumulation by the enterprise itself.

The SISC has reaped such tremendous achievements and has proved to be successful through the test of time for as long as 10 years. What inspiration can we draw from it for invigorating large and medium enterprises? This is a big question that is worth our deliberation and study. The SISC experiences are rich and comprehensive and the most important and fundamental of which is the system of contracted operational responsibility. This, in their own words, is "taking the contract system as foundation," meaning: They have followed the Marxist principles, defined the external environment in a scientific way according to what is required by the development of planned commodity economy, correctly set internal targets, and consequently created an enterprise operational mechanism with vitality and vigor, triggering a chain of changes in the operation, management, technological transformation, and ideological and political work of the enterprise. From then on, the building of material civilization and spiritual civilization in the SISC entered a new stage of speedy development. Because of this, we feel obliged to make an in-depth analysis of the meaning of the system of contracted operational responsibility practiced in a batch of enterprises

represented by the SISC. There must be a profound truth in the system. To put it in a nutshell, the SISC contract system contains the following five basic principles:

**First, make contracted base figures rigid.** Through making contracted base figures rigid, the following three problems can be solved: 1) It serves to define the relationships of responsibilities, rights, and benefits between the government and the enterprise, gives substance to the separation of ownership from the right of operation at the state level, enables the enterprise to make a big step from ownership by the state and operation by the state to ownership by the state and operation by the enterprise and stops it being an appendage of the government, and establishes its preliminary status as a commodity producer and operator; 2) It prescribes the enterprise targets in no uncertain terms and makes the enterprise soberly aware that more output means more retained profit and that the more the state gets the more the enterprise gets, creating a strong stimulative mechanism to motivate them to make headway toward higher goals with maximum, constant efforts; and 3) It guarantees the steady increase of state revenue on the basis of the enterprise making higher profit or, in other words, making the "cake" bigger.

**Second, involve all workers in the contract system.** Involving all workers in the contract system reflects the principle of associated labor and the master's status of workers. The enterprise installed a contract system at all levels; institutionalized a complete set of measures for managing contracting processes, means of guarantee, and assessment; shared the responsibilities, rights, and benefits of workers in their master role among all workers; and, on the basis of this, practiced distribution according to work, to overcome the undesirable low-efficiency effect caused by the two major drawbacks of undefined responsibilities and "eating from the same pot," gave maximum play to the enthusiasm and creativity of the workers in their master role.

**Third, strengthen and expand right of operation.** Through strengthening and expanding the right of operation of the enterprise in the course of the reform, they constantly strengthened the attributes of the enterprise as commodity producer and operator, to make them more capable of coping with the changes in the market demand and supply and in taking the initiative to: Open up the market, develop new products, speed up technological transformation, improve management, constantly reinforce and expand the capacity for reproduction, and to always retain the vitality and vigor for further development.

**Fourth, keep contracts unchanged for 15 years.** By keeping contracts unchanged for 15 years they were able to stabilize the various relationships within and outside the enterprise and enable the enterprise to: Know what is what; take the initiative in planning for the future; formulate medium- and long-term programs; constantly open up new prospects; advance toward higher goals; and, consequently, to bring

about a long-term act of developing production and enhancing economic efficiency.

**Fifth, have a stable leading collective in the enterprise.** Since installing the contracted operational responsibility system, SISC has always maintained a stable leading collective for the enterprise. However, this collective was not solid and unchanging. On the basis of stability, they developed a fully democratic style of work; used different methods, such as supervision, examination and assessment, and election, with cadres in different conditions; let the workers enjoy their rights and benefits as masters; and selected the competent and eliminated the incompetent among cadres. For example, cadres at the factory or departmental level were assessed and examined with regard to their achievements, competence, and knowledge by the examination and achievement-assessing committee elected by the workers' congress; chief leading cadres of the company were directly elected regularly by ballot by all the workers and staff. This system of democratic supervision and democratic election constantly infused new blood into the enterprise leading collective which was consequently able to retain its vigor and strong fighting capacity. This guaranteed the stability and continuity of the enforcement and implementation of the policies and systems and enabled the enterprise to develop in the prescribed direction toward the prescribed goal from beginning to end.

Organically connected, the above five points are a true reflection of the scientific connotation of the contracted operational responsibility system and make up a vigorous enterprise operational mechanism which conforms to the development of the socialist commodity economy. This has remarkably demonstrated its strong vitality in the protracted 10-year practice and given life, vigor, and marked economic efficiency to the SISC. The question calling for an answer here is: Is the contracted operational responsibility system, practiced by a batch of enterprises represented by the SISC, of any universal significance to invigorating large and medium state enterprises and what is its theoretical basis? This requires us to make an in-depth exploration and clarify various misgivings, to reach a common understanding.

#### **Universal Significance of Contracted Managerial Responsibility System: Questions And Answers**

The question of whether or not the contracted operational responsibility system is of universal significance to invigorating large and medium state enterprises does not have a ready answer in books, nor should we try to find the answer in the instructions from the "higher authorities." Thus, when probing into this question, we have to "look at the reality instead of seeking advice from the higher authorities or books." That is, to follow the important Marxist epistemological principle that "practice is the sole criterion of truth" in our study and understand, from a high theoretical plane, the scientific connotation of the contracted operational responsibility system in a comprehensive and accurate way. According to the current level of understanding, we think that profound discussion on the

following questions is very beneficial in endeavoring to reach a common understanding.

1. What is the contracted operational responsibility system, and what is its scientific connotation?

In reality, there are various interpretations of the contracted operational responsibility system. One is a simplistic interpretation, regarding the system only as a contract for profit contribution from the enterprise to the government and twisting it into a contracted profit responsibility system; the other is a casual interpretation, extending it into the field of noneconomic activities, thus creating a bad effect. Such simplistic and casual interpretations are an important root cause of the current confusion and unstable policy concerning the contracted operational responsibility system. In fact, the contracted operational responsibility system has a specific meaning and contains profound, rich, and complete scientific connotations. By taking a longitudinal view of the implementation of the contracted operational responsibility system in recent years, penetrating its various phenomena to reach its essence, and upgrading it into the theoretical level, we can define it in the following way: The contracted operational responsibility system is a basic operational and managerial system which, on the basis of public ownership and with interests-conditioning as the mechanism and responsibility system as the core, integrates a responsibility system, rights, and benefits in an organic way; defines the relationships in the responsibility system, rights, and benefits between the two levels (state and enterprise); separates the two rights (ownership and right of operation at the state level); and establishes the status of legalis homo of an enterprise as an independent commodity producer and operator. It is obvious that the above definition contains four important aspects:

**First, public ownership as the basis.** This is the basis of the theory and practice of the contracted operational responsibility system. If the commodity economy is developed on the basis of private ownership, polarization will be inevitable: The poor will be poorer and the rich richer and the distinction between the proletarians and the propertied class will reemerge, which is an inevitable phenomenon in the course of capitalist social development and a painful stage in human society. It is public ownership that rules out the possibility of any individual monopolizing means of production and forcing others to work for him. In other words, public ownership eliminates the economic base for the wide gap between the rich and the poor and the exploitation of man by man, to provide a reliable guarantee for the common wealth of workers. This is an important reason why we adhere to public ownership as the basis. Another important reason is that the capitalist society has a fundamental contradiction which is difficult to solve by itself, namely, socialization of production versus privatization of means of production. The only way out of this contradiction is to realize public ownership of means of production. Public ownership can overcome the frictions and clashes in the flow of resources under optimized

distribution in the process of socialization of production, which are caused by private ownership of the means of production, and keep the flow at its "optimum" state at relatively low cost. It is plain that public ownership not only conforms to the requirements of socialized production and opens broad prospects for the development of production, but also creates an economic basis for fair social distribution and common wealth. Adhering to public ownership as the basis shows that we have a profound understanding of, and full confidence in, the superiority of the socialist system and that the economic restructuring of our country is the self-improvement of socialism. Our task is to give maximum play to the tremendous advantage inherent in public ownership through the reform.

**Second, interests-conditioning as the mechanism.** How to give play to the advantage of public ownership is a very weighty task facing our country's economic restructuring. The central point is to equip the enterprise with the operational mechanism that conforms to the survival and development of the operation of socialist commodity economy. The basis of the survival and development of an enterprise, as commodity producer and operator, is property and benefit. Therefore, property and benefit become the motive forces of the operational mechanism and its two conditioning factors. The enterprise operational mechanism always seeks growth of property and benefit by warding off any threat to its property and benefit in a given external environment. Because property is private, an enterprise under private ownership attaches great importance to the ownership of property rights. Seeking growth of property is the primary motive force that propels its development, forming the operational mechanism of "property—benefit—property." However, in an enterprise under public ownership, generally speaking, it is clear that property is ultimately owned by the whole people or the collective, because property is publicly owned. Therefore, seeking growth of benefit is the primary motive force that propels its development, forming the operational mechanism of "benefit—property—benefit." The contracted operational responsibility system operates by hinging on the interests-conditioning mechanism. This system is a full manifestation of the inherent requirement for bringing into play the advantage of public ownership. Through this system, it is possible to adjust the relationship of benefit among the three parties of state, enterprise, and worker in a rational way and give maximum play to the enthusiasm and creativity of the three parties, instead of changing the property relations under ownership of means of production, to give full play to the inherent advantage of socialist public ownership.

**Third, responsibility system as the core.** The inherent advantage of public ownership is unquestionable. However, for a fairly long time past, in the socialist countries where public ownership of means of production was realized, the responsibility system concerning utilization of resources (including manpower and material resources) in state-owned enterprises failed to be clearly personified and were ill defined. Without defining the responsibility system concerning utilization of resources

through the interests-conditioning mechanism, it is difficult to avoid "equal benefit for those who work more and better and those who work less and worse," causing waste of resources and low efficiency. This is one of the important reasons behind the low economic efficiency of the original system under public ownership and also one of the major drawbacks in our country's original economic managerial system. The contracted managerial responsibility system, in a sense, came into being as a remedy for such a drawback. However, this responsibility system, different from the system of job responsibility practiced before and the financial responsibility system within an enterprise practiced at the initial stage of the reform, is a contracted managerial responsibility system that conforms to socialist commodity economy.

**Fourth, separation of two rights.** The separation of two rights refers to the separation of right of operation from ownership at the state level on the basis of public ownership. The ownership and operation by the state in enterprises under ownership by the whole people have changed into ownership by the state and operation by the enterprise. Ownership by the state means that the state has the ultimate ownership over the enterprise assets and the corresponding right to profits; operation by the enterprise means that the enterprise is responsible to the state for managing the assets to ensure constant increment and has a corresponding right of operation for carrying out simple reproduction and expanded reproduction. According to managerial theory, the right of operation should include the right to make decisions on production, internal distribution, sales, pricing, and investment. Some competent enterprises should have the right to engage in foreign trade and to utilize foreign investment. According to the theory of property rights, the right of operation should include the corresponding right of use, right to returns, and right of disposal. Through separation of the two rights, it has been made clear that an enterprise has the right of operation in expanded reproduction. If this point remained unclear, there would be not contracted operation of which to speak.

The above four aspects are not simply one above the other. They are organically connected to form a specific, complete scientific connotation of the contracted operational responsibility system and to enable enterprises to form a new and vigorous operational mechanism which conforms to the development of socialist commodity economy. This way, enterprises free themselves from the government's direct control and the government rids itself of enterprises' dependence on it, so that enterprises become independent commodity producers and managers operating with the initiative in their own hands; assuming sole responsibility for profits and losses; accumulating resources on their own; seeking expansion through their own efforts; and exercising self-restraint. The enterprises will be exposed to the market and, amid the constant changes of market demand, face the world and brave the storm, constantly heightening their responsiveness and increasing economic efficiency, to thoroughly eliminate the two major drawbacks of low economic efficiency and "eating from the same pot."



caused by the previously ill-defined responsibility system concerning utilization of enterprise resources in our country's economic system and giving rise to the dampened enthusiasm of workers.

2. How to understand the problems which emerge in the course of implementing the contracted operational responsibility system?

On the whole, the contracted operational responsibility system has resulted in remarkable achievements in increasing the vitality of large and medium state enterprises. The batch of enterprises which comprise the SISC have successfully blazed a trail but, in the course of popularizing the contracted operational responsibility system, some problems exist which merit being looked at squarely. Some people, because of these problems, have questioned the function of the contracted operational responsibility system and raised differing opinions. How to understand and solve these problems is undoubtedly very important to improving and developing the contracted operational responsibility system. To sum up, there are nine questions. Before these questions are answered and explored, there are three points that need to be put forward: First, some contracted operational responsibility systems now under implementation are different in connotation in a scientific sense. Some problems which have cropped up in the current practice are the very reflection of such a disparity. It is for this reason that the contracted operational responsibility systems now under implementation need to be improved and developed according to the scientific connotation of such a system. Second, the problems arising from the contracted operational responsibility system proper are different from those caused by factors external to the system and it is incorrect to blame the latter on the system and then negate it. Third, no practice of any system can possibly be perfect at the very beginning. There must be a process of improvement and development. Therefore, we should not give up eating for fear of choking. What counts is to look at the mainstream and see if it makes marked contributions to propelling the development of productive forces and the general improvement of people's lives. Once we reach a common understanding on these three points, it will be easier to discuss the following questions.

1) **The so-called "enterprise short-term behavior."** Some hold that one of the biggest drawbacks of the contracted operational responsibility system is enterprise short-term behavior: The enterprise only takes care of immediate interests at the expense of long-term interests, so much so as to harm and even ruin the "stamina" of the enterprise. This phenomenon does exist in some medium and small, especially small, enterprises. The question is: What is the cause of this phenomenon? A host of facts we have collected show that the cause is twofold. The first aspect of the cause is that the contract term is too short, one year in some enterprises. Short-term contracts tend to cause short-term actions because,

when the term is too short, it is difficult for the contractors to take into consideration the long-term development of their enterprises. The second aspect is that the quality of contractors is low and they do not have correct motives for running an enterprise. It is especially so in enterprises contracted by individuals where some people even take advantage of the contracting process to reap their own profits by hook or by crook at the expense of the state and enterprise interests. Contrary to this, the batch of large and medium enterprises represented by the SISC have achieved marked successes in economic efficiency, technological transformation, renewal of equipment, art of management, operational skills, training workers, factory image, and so on because the terms of contracts are longer and the contractors are of better quality. Generally speaking, the longer the term of contract, the more remarkable the achievements. It is therefore evident that any short-term act by an enterprise is not a result of the contracted operational responsibility system itself but caused by factors external to the system. There is no natural connection between the short-term act by an enterprise and the contracted operational responsibility system. To overcome the short-term acts of enterprises does not mean to negate the contracted operational responsibility system but to deepen the scientific understanding of the system and to overcome the concept that takes the responsibility system as an expedient measure for solving economic problems, to improve and develop it in a stable way. Historical experiences are noteworthy. Any system that helps promote economic development, if often in a wobbly state, will not show full effect no matter how good it is, because the productive forces cannot develop amid frequent changes in production relations. In the middle and late 1950's, the production relations in rural areas were frequently changed: Soon after elementary agricultural producers' cooperatives were set up, a transition was made toward advanced agricultural producers' cooperatives without a break; the moment the latter were established, energetic efforts were made to establish people's communes, resulting in serious damage to the productive forces. One may well say that the most successful experience since the beginning of the reform has been the rural contract responsibility system. It was made clear that this system would remain unchanged for 30 years. The steady development of this system has brought about enormous achievements acknowledged by the whole country. Such successes would not have been possible with the rural contract responsibility system if it had been like the contracted operational responsibility system which is inconsistent from year to year. All those who study and engage in reform should draw inspiration from it.

2) **The so-called "revenue fixing."** Some believe that practicing the contracted operational responsibility system may cause revenue fixing and that, the more rigid the base figures are and the longer the term is, the more remarkable is the revenue fixing. This is another drawback of the system. It sounds quite reasonable on first hearing but further study will show that this situation

will not appear in reality and, quite the contrary, the part of an enterprise's income turned over to the state will increase significantly. It is when the contracted operational responsibility system is flourishing that the profit delivered by an enterprise to the state increases significantly. The year 1988 saw the smoothest development of the contracted operational responsibility system. That year, the total volume of profit, tax, and fees turned in by industrial enterprises within the state budget increased by a remarkable 15 percent. This is because the profit delivered to the state by an enterprise normally increases progressively. The base of the proportion that is turned in increases annually and the amount of profit which goes to the state increases by degrees. A more important reason is that the three kinds of circulatory taxes collected from enterprises take up about 70 percent of the total revenue, constituting the main source of revenue, which is therefore in direct proportion to the total sales of the enterprises and directly connected with the economic growth of the enterprises. It goes without saying that the higher the economic growth and efficiency of the enterprises, the higher the revenue. It is thus evident that the increase of revenue mainly depends on making the "cake" bigger, which in turn relies on the people. The peasants in rural areas and the enterprises in urban areas are relied on for their enthusiasm and creativity. The contract system has the important function of activating such enthusiasm. Practice shows that after the Fifth Session of the Sixth National People's Congress in March 1987, the installation of the contracted operational responsibility system on an extensive scale quickly reversed the situation whereby the actualized profit in industrial enterprises had been dropping for 20 months. In May that year, the profit showed a rising trend and by the end of the year the actualized profit throughout the year had increased nearly 10 percent compared to the previous year. In both practice and theory, the contracted operational responsibility system does not cause revenue fixing and, quite the contrary, more rigid contracted base figures and longer contract terms bring a stronger incentive mechanism for the enterprise, a bigger "cake," a more consolidated material revenue foundation, and larger revenue. The secret of managing money matters lies in effective ways of generating money. This rule admits no exception whatsoever around the world throughout history.

3) **The so-called "lack of restraining mechanism."** Some theorists say that a restraining mechanism is lacking in the contracted operational responsibility system and this will easily lead to such drawbacks as "using up and distributing everything," and wearing out equipment. This problem, like the short-term enterprise behavior, is a notion put forward from a theoretical angle, attributing the phenomenon of short-term enterprise behavior to the lack of a restraining mechanism in the contracted operational responsibility system proper. In fact, this question has been clearly answered in the discussion on the first question. I would now like to focus on further elaboration from a theoretical perspective. The formation of the operational mechanism of enterprise, on the

whole, stems from reaction to the external environment and pursuit of internal objective. External environment and internal objective are the two major determining factors making up the enterprise operational mechanism. The kind of external environment in which an enterprise is situated and the kind of objective it is after produce a corresponding operational mechanism. Under the conditions of planned commodity economy an enterprise, for the sake of survival and development, must be capable of reacting to market changes and have the motive force for profit seeking. Only this way can it adjust itself to the development of socialist commodity economy and form a new operational mechanism of self-circulation and self-increment, with interests-conditioning mechanism as the main body and embracing the mechanisms of self-regulation and self-restraint. If analyzed in light of the centralization law of systematology, the mechanism of self-restraint is obviously a derivative from the interests-conditioning mechanism. In seeking constantly rising profit, an enterprise must steer its behavior in line with the requirements of the external environment, including market rules, government decrees and regulations, and business etiquette. Otherwise, punishment will come and its interests and reputation will be lost. In the meantime, it must also align its behavior with the requirements of expanded reproduction within itself and put the money it has accumulated into technological transformation, development of new products, and opening up the market. Otherwise, higher profit will be impossible. Naturally, however, when market rules and government decrees and regulations are incomplete or the operational ideology of the enterprise is incorrect, interest-seeking impulses may cause violation of rules and short-term behavior. One can say that this is a side effect of the contracted operational responsibility system but this side effect is more or less found in all existing enterprise systems at home and abroad up to the present day, including the share system. The solution to this problem is to speed up the establishment of a new system of socialist commodity economy and step up the training of socialist entrepreneurs, instead of giving up eating for fear of choking.

4) **The so-called "unsurmountable contradiction between inflexible base figures and changing environment."** Some people claim that the contracted operational responsibility system has rigid base figures, making enterprises unable to cope with any changes in the market and state policy. Again, it sounds quite reasonable on first hearing. In fact, however, whether or not an enterprise can keep abreast of market changes is not determined by rigid base figures but by whether or not it has the power and right to cope with market changes and how far its autonomy goes. If an enterprise does not have the right or power to react to market changes, even flexible base figure will not enable it to adapt itself to changes in the external environment and the outcome may be still worse. In studying this problem we should, instead of proceeding from the existing phenomenon of contradiction, focus on the formation of the enterprise operational

mechanism which conforms to the development of socialist commodity economy. As mentioned earlier, rigid base figures for an enterprise can produce maximum incentive mechanism and, in addition to the operational rights defined by the scientific connotation of the contracted operational responsibility system, will form an operational mechanism with vitality which reacts flexibly to a flexible environment. To sum up, when an enterprise's enthusiasm is aroused, its creativity brought into play, its economic efficiency heightened, and the "cake" made bigger, the existing phenomenon of contradiction can be readily solved. As for the changes in state economic policies, these should predominantly benefit the development of socialist commodity economy, serve to regulate supply and demand in the market to keep a basic balance between the total social demand and supply to ensure the steady and sustained development of the national economy. Therefore, the policies must be consistent and stable. If economic policies are frequently changed by the policy makers, they will be difficult to follow no matter which enterprise system is in force.

**5) The so-called "failure to optimally distribute resources."** Some people say that when the contracted operational responsibility system is in force, resources cannot flow, thus making optimal combination impossible and restricting the enhancement of economic efficiency. This view is the reflection of a lack of in-depth study and understanding of the contracted operational responsibility system. Earlier, we elaborated in detail the fact that the contracted operational responsibility system in a scientific sense contains the right of expanded reproduction as part of the right of operation. In terms of property rights, they not only include the corresponding right of use and right to profit, but also right of disposal. Under the precondition of seeking increased profit and added value of property, an enterprise has the right of disposal over resources, which is the internal requirement of the enterprise in raising its economic efficiency. In the course of development of the contracted operational responsibility system, instances of one enterprise contracting another or others, and one enterprise taking over another or others, have emerged. These are good examples of the flow and optimal combination of resources. A large number of enterprises, including the SISC, have made remarkable achievements in the practice in this respect. However, such optimal combination of resources is realized, not through the bankruptcy mechanism but by expanding the operational right of the enterprise through the interests-conditioning mechanism. What needs to be pointed out in particular is: Though the bankruptcy mechanism conforms to the principle of competition in commodity economy, that is, retaining the good and eliminating the inferior and spurring enterprises to make progress actively to reach the goal of optimal combination of resources and enhancement of economic efficiency, the conditions in our country at the present stage are so restrictive that using the bankruptcy mechanism on an extensive scale will be too much for any sector of the society and may

cause an unbearable outcome. It is therefore of even greater significance, mainly with the help of incentive mechanism, to guide and encourage enterprises to make progress, realize optimal combination of resources, enhance economic efficiency, and develop enterprise groups by using rigid base figures and expanding enterprise operational rights.

**6) The so-called "responsibility for profits but not for losses."** Some people point out that under the contracted operational responsibility system, enterprises are only responsible for profits and not losses and that taking sole responsibility for both profits and losses by enterprises is impossible. Is it truly so? If we probe deep into the content of enterprise contracting, we will discover two regulations in this respect in the existing contracted operational responsibility system: First, an enterprise retains the total of, or part of, the profit in excess of the contracted base figure (including progressive increases) and uses its own fund to make up the shortage if the profit is below the contracted base figure; second, on the basis of accomplishing the contracted base figure, the enterprise increases the total amount of pay according to the regulation, which means more income for the workers and, if the contracted base figure is not fulfilled, workers' income will decrease and even their base wages may be reduced. Is this not sole responsibility for both profits and losses? Of course these profits or losses are at the level of benefit and within the range of managers' responsibility. They are in line with the scientific connotation of the contracted operational responsibility system and determined by the interests-conditioning mechanism. It is different from the situation in which owners are responsible for property gains and losses. It is inconceivable to require managers to take responsibility for all profits and losses while the enterprise is not entitled to all the profits. This is simply illogical. With regard to the fact that some enterprises take responsibility only for profits but not for losses even at the level of benefit in reality, there are many reasons. One of the major ones is that the benefit-dividing ratio between the state treasury and enterprise is not totally in line with the principle of developing planned commodity economy. Take 1989 for example. In that year, if the sales profit of an enterprise was 100 units, the state took away nearly 70 percent by collecting product tax and value-added tax and 10 percent by collecting the portion of profit turned in by the enterprise. On top of all this, it took away another five percent for energy and communications fund and extrabudgetary regulatory fund. After repaying the loans, the enterprise could actually retain less than 10 percent of the profit it had made. This distribution ratio is bound to weaken state enterprises' powers of self-accumulation to a great extent and cause them to suffer serious shortage of funds. For an enterprise under serious shortage of funds, no enterprise system can enable it to take sole responsibility for profits and losses, unless a system of insolvency is practiced. Yet, when a state enterprise goes bankrupt, the losses are still on the state and difficult for the society to bear. This is a big problem which has to be carefully studied and solved in



the course of improving and developing the contracted operational responsibility system in future. Generally speaking, judged by the fact that state enterprises under the contracted operational responsibility system are able to take sole responsibility for the gains and losses of their own funds, if an enterprise can retain 30 to 40 percent of its sales profit, it will be able to take sole responsibility for profits and losses. This is, nevertheless, still within the range of taking sole responsibility for profits and losses at the level of benefit by the managers. This kind of sole responsibility for profits and losses, stemming from the interests-conditioning mechanism, is undoubtedly of great importance to spurring enterprises to forge ahead when the commodity economy has not yet developed in the initial stage of socialism in our country and is a realistic choice.

**7) The so-called "inability to standardize the contracted operational responsibility system."** This is another problem some people have put forward. They suggest adopting, without reservation, the taxation method as practiced in countries with developed commodity economies to standardize the interests distribution between the state treasury and enterprise. As a matter of fact, with the development of our country's socialist commodity economy, the state has been using taxation to regulate social interest distribution on an ever-widening scale and its effect is becoming increasingly remarkable. At present, about 70 percent of state revenue comes from taxation. In marketing, the interests distribution between the enterprise and state treasury has generally been put under the system of three kinds of circulatory taxes. However, our country is still in the stage of underdeveloped commodity economy and there are great disparities, normally by dozens of times, in organic economic formation among trades, enterprises, and regions for various reasons. This, plus deliberately distorted prices and excessively low prices of such industrial necessities as energy and raw materials, makes it impossible to form the average ratio of social profit in a natural way through profit averaging. Under such circumstances, if taxation is also used as a means of interests distribution on income between the state and enterprise, there are two possibilities: One, the income tax rate acceptable to the state is unbearable for the enterprise and the income tax rate bearable for the enterprise is unacceptable to the state; two, if a uniform income tax rate is laid down as mandatory on an extensive scale, there is bound to be a serious "imbalance between suffering and enjoyment," artificially created, on this scale, which will dampen some enterprises' enthusiasm. This is the fundamental conflict which is difficult to resolve in the context of the underdeveloped socialist commodity economy. This point was fully proved by the practice of "substituting taxation for delivery of profits" from 1983 to 1987 when an individual tax rate had to be set for each establishment in order to settle this conflict. Therefore, it damaged the basic function of uniformity and equality of taxation which was then turned into another version of contract system. It is thus clear that at the present stage, with our country's commodity

economy not yet developed and the government playing the dual role of owner and manager, the suggestion for a complete adoption of taxation to standardize interests distribution between the state treasury and enterprise is an expression of overanxiety for success, at least in its guiding ideology. On the other hand, installing the contracted operational responsibility system under which various localities and relevant departments set the base figures for profit delivery, enterprise by enterprise according to their respective conditions, seems to be relatively complicated, energy consuming, and substandard, but it is permeated with a realistic spirit. The contracted base figures of profit delivery set this way are more in line with the actual conditions, giving the enterprise both impetus and pressure and reflecting the interests-conditioning mechanism functions of the contracted operational responsibility system. One can say that this is an application of the mathematical rule that the product of two negatives is a positive. Naturally, however, the contracted base figures of profit delivery set this way are also irrational in some ways in reality. We firmly believe that with the development of socialist commodity economy, the methods for fixing contracted base figures of profit delivery of enterprises are bound to improve constantly.

**8) The so-called "inability to separate government administration from enterprise management."** Some people say that because the contract content is ultimately decided by the government, the contracted operational responsibility system is unable to separate government administration from enterprise management and the enterprise remains an appendage of the government. To answer this question it is first necessary to understand what is meant by separating government administration from enterprise management. If separation of government administration from enterprise management is defined in terms of property ownership, then such separation is impossible and should not be, because the property ownership under ownership by the whole people is represented by the government and, therefore, from any perspective, the form of such ownership will never change for a long time during the initial stage of socialism. In this sense, even installing a share system with the government as proprietor will not separate government administration from enterprise management. If separation of government administration from enterprise management is defined in terms of operational activities, it is then the very target that the contracted operational responsibility system is after. This has been clearly explained in the definition of the contracted operational responsibility system. What counts is to strengthen and expand the operation rights of the enterprise, in accordance with the scientific connotation of the contracted operational responsibility system, to truly endow the enterprise with the right to conduct expanded reproduction and the corresponding power of self-accumulation and, according to what is required in this connection, to reform the planning and financial systems. This way, the enterprise becomes the

chief investor in place of the government and the self-accumulation of the enterprise plays the chief part of accumulation for expanded reproduction in place of state finance. Only by so doing can an enterprise truly have operational autonomy and the separation of government administration from enterprise management be truly possible. Otherwise, such separation can only be empty talk. All those who have carefully studied the contracted operational responsibility system may discover that separation of government administration from enterprise management is an important starting point of the contracted operational responsibility system in theory and practice. As its characteristic, this system is realized by expanding the enterprise's operation rights through the interests-conditioning mechanism on the basis of public ownership.

**9) The so-called "inappropriateness of popularizing the SISC's contracted operational responsibility system."**

This is a question that entrepreneurs and people in the economic circles at large have showed concern for and wanted a clear answer to in recent years. Someone said: "The SISC experience is good but we are not in a position to follow suit. If the government gives us the same policy as the SISC, we can do better than the SISC." Someone else said: "It is not because we are not in a position to follow suit. We are not allowed to." Still another person said: "If the SISC's experience with the contract system is popularized, the state will be unable to bear it financially." In a word, the SISC's achievements in economic efficiency, management, and the building of the two civilizations are universally acclaimed, but opinions distinctly differ on whether or not its experience in the contracted operational responsibility system should be popularized and whether or not it is of universal significance. Where does the crux of the problem lie? To put it in a nutshell, the difference is largely on two issues.

First, the SISC is given more right to sell its steel designated in the state plan than other steelworks: The percentage laid down in the contract is 15 and the actual percentage is around 13, while that of other steelworks is only two. This is indeed an important factor for the SISC's speedy development. But this rate was set when steel products were seriously unsalable (in 1982), which means the SISC took some risks and it is not true that these were deliberately preferential terms. What is important is that this rate of autonomous sales is theoretically in line with what is required in developing socialist commodity economy. It served to reduce mandatory planning, expand guidance planning, and give more play to market regulation. In practice, it prompted the SISC to orientate itself more to the market and suit the varieties and sizes of steel to the social demand to a greater extent so that they could sell well. Some people argue that such a rate of autonomous sales will affect the distribution of materials within the state plan. The opposite is the fact. The total stock of steel nationwide at present has reached 50 percent of the annual output, which means there is a serious overstocking. One of the evident reasons is that the products fail to meet market demand. Is this not something to do with the fact that the rate of

autonomous sales in steelworks is too small? It is thus evident that expanding the rate of enterprise's autonomous sales within the state plan is an irresistible tendency. Naturally, however, the rates of autonomous sales cannot be exactly the same among the enterprises in different trades. For example, many enterprises in such trades as light industry and machine-building can sell all their products by themselves, while those in energy and raw materials have a relatively small rate of autonomous sales.

Second, rigid base figures in the SISC means being genuinely "rigid" instead of pretending. This finds outstanding expression in the annual increase of 7.2 percent on the basis of the 270 million yuan profit delivered to the state in 1982. The rate of product tax and value-added tax from its steel has always remained at 8 percent and did not budge even when other iron and steel enterprises increased the rate to 14 percent. The rationale and advantage of rigid base figures have been elaborated on in much detail earlier and no repetition is needed here. Let us now make three calculations on the SISC's situation, so that we can come to a common understanding on this issue. First, since base figures were made rigid, the SISC, totally without state investment, has invested 4.27 billion yuan in technological transformation and construction, added a total of 3.6 billion yuan to the fixed assets of the state, and increased output by a net 2.6 million metric tons of finished steel products. This is nothing less than building another large steelworks for the state. Besides, it has also built 1.7 million square meters of housing for the workers. All this means that the SISC has contributed a great deal to state wealth. Second, someone compared the SISC's economic efficiency and profit and tax delivered to the state with what a metallurgical industry bureau of a city contributed. The actual profit made by the SISC in 1978 was 299 million yuan and that by the metallurgical industry bureau 900 million yuan. In 1990, the profit made by the SISC rocketed to 2.126 billion yuan but that of the metallurgical industry bureau dropped to 170 million yuan. The profit and tax delivered to the state by the SISC in 1978 was 370 million yuan and that by the metallurgical industry bureau 1.15 billion yuan. In 1990, the profit and tax contributed by the SISC rocketed to 1.499 billion yuan but that by the metallurgical industry bureau dropped to 1 billion yuan. The profit retained by the SISC in 1978 was 5 million yuan and that by the metallurgical industry bureau 10 million yuan. In 1990, the profit retained by the SISC rose to 1.14 billion yuan, but that by the metallurgical industry bureau was only 100 million yuan. Without such a comparison, which makes things ever so clear, one cannot recognize the advantage of rigid base figures in the SISC and how much it has contributed to the state finance. Third, since the making base figures rigid, the SISC has altogether handed in to the state 9.8 billion yuan in tax, profit, and fees, the average annual rate of increase being 12.3 percent. The comparable average annual rate of increase among industrial enterprises within the budget all over the country during the same period was below six percent. From this contribution, as well as the newly added

fixed capital through the SISC's self-accumulation, the state has actually gained 13.2 billion yuan. This is an irrefutably remarkable achievement, in terms of both increased social wealth and increased state revenue. May we ask: Should the future policy require the SISC to emulate other large and medium enterprises, or should other large and medium enterprises emulate the SISC? Is the answer still not clear after the above analysis?

#### **Theoretical Significance of Contracted Operational Responsibility System**

Currently, many economic theorists maintain that there is no theory about the contracted operational responsibility system. Is this true? It is high time that we answered this question in clear terms. Through the 12 years of reform practice, the scientific connotation of the contracted operational responsibility system has been, as stated earlier, finalized and its theoretical framework has taken shape. This theoretical framework is chiefly made up of four aspects which are briefly explained below.

**First, the second major prerequisite for developing commodity economy on the basis of public ownership is created.** Engels once pointed out: There are two necessary prerequisites for the development of commodity economy. One is socialization of production and the other is private ownership. Only socialized production can lead to exchange, out of which commodity economy is born; private ownership determines the plurality of the subject of social interests, making possible the exchange according to the principle of equal-value and the full development of commodity economy. He had drawn this conclusion from the history of the development of commodity economy up to his time. The question is: How should China develop commodity economy on the basis of public ownership under the prerequisite of realized socialization of production? This is a new important theoretical problem with which we have to deal. The contract system with Chinese characteristics has successfully provided a scientific answer to this important problem. The 12 years of reform practice has fully proved that it is completely feasible to form the plurality of the subject of interests on the basis of ownership through the contract system. In rural areas, installing the contract responsibility system with remuneration linked to output, retaining collective ownership, and making peasant households the subject of interests has enabled the rural commodity economy to flourish. In urban areas, installing the contracted operational responsibility system, retaining ownership by the whole people, and making enterprises the subject of interests has brought the commodity economy to an upswing.

One may well say without exaggeration that this is a new development of Engels's exposition on the prerequisites of the development of commodity economy. From this point on, the prerequisites of the development of commodity economy can be summarized as socialization of production and pluralization of subject of interests. Is such theorization of the prerequisites of the development of commodity economy not a new theoretical contribution?

**Second, the connotation of public ownership is extended.** An important feature of public ownership is that the whole people are the owners of the means of production. In the economic field, generally speaking, workers are the master of the enterprise. This is a tremendous advantage inherent in public ownership and contains the great enthusiasm and creativity of the workers as the master. Such an advantage inherent in public ownership was not brought into play before the reform and the prominent drawbacks of "eating from the same big pot" and low economic efficiency, however, as mentioned earlier, were present for some time. To trace the root causes, one of the major reasons is that the workers' master role stayed at the level of general concept in terms of interests and it was difficult for workers to feel that they were the masters of their enterprise. This raised the issue of how to materialize the master's status of workers at a human level. It was on this issue that the contracted operational responsibility system made a creative contribution. The master's status of workers is not devoid of substance but a concrete embodiment of the responsibility system, benefits, and rights of workers. There is no master in the world who takes no responsibility system but enjoys benefits and rights, nor one who only takes a responsibility system but enjoys no benefits or rights. The contracted operational responsibility system organically integrates responsibility system, rights, and benefits with the responsibility system as the core, and is implemented at the level of enterprise and that of each worker. The workers strongly feel that they are the masters of their enterprise by looking at the responsibility system, rights, and benefits of the enterprise and themselves. They recognize that the destiny of the enterprise is closely bound up with themselves, which kindles tremendous enthusiasm and creativity in them. The contract system has enriched and developed the connotation of public ownership. Is this not of great theoretical significance?

**Third, a new operational mechanism for enterprises is created.** On the basis of public ownership, the contracted operational responsibility system has formed a vigorous and active enterprise operational mechanism with interests conditioning as the chief lever. It is different from the enterprise operational mechanism formed on the basis of private ownership with property conditioning as the chief lever. This issue has been treated in much detail earlier. What merits special emphasis is: The interests-conditioning mechanism is the internal requirement of the development of socialist commodity economy and also that of the exchange among the varied subjects of interests in accordance with the principle of equal-value exchange formed on the basis of public ownership. This is an inevitable outcome of the development of enterprise operational mechanism under public ownership. Obviously, this is also an important theoretical component of the contracted operational responsibility system.

**Fourth, an enterprise management system with "contracting as the foundation."** The SISC is an exemplary follower of this system. It has not only established a 10-point system for



democratic management, which fully signifies the master's status of workers, but has also formed a complete system for managing contracting processes, means of guarantee, and assessment. These systems, with a scientific and rigorous content, are implemented in every unit and to every individual and cement the SISC into a strong whole. That the company is well managed and enjoys high efficiency is universally acclaimed. We should say that this is a new development in managerial theory and is certainly of theoretical significance.

Thus, it can be seen that the contracted operational responsibility system not only embodies the features of socialist public ownership, namely, associated labor and distribution according to work, but also reflects the attributes of commodity economy, organically integrating socialism with the commodity economy. We should say in an affirmative manner that this is a major development of the theory of socialist commodity economy. One of the most basic viewpoints in Marxist epistemology is that theory comes from practice. A theory has no vitality unless it originates from facts, is elevated to the theoretical level, and is then proved by practice.

### **XINHUA Reports on Forming Enterprise Groups**

#### **Warning on 'Blind Action'**

OW0707121191 Beijing XINHUA Domestic Service  
in Chinese 2011 GMT 3 Jul 91

["Letter from reporters: Guard Against Blind Action in Organizing Enterprise Groups (By XINHUA reporters Zhou Baohua (0719 0202 5478) and Chen Guangjun (7115 1639 0193))"—XINHUA headline]

[Text] Beijing, 4 Jul (XINHUA)—While gathering news in Northeast and East China recently, these reporters found that cases of blind action in organizing enterprise groups have appeared this year in many localities, which deserve the attention of the departments concerned.

Vigorously developing enterprise groups is one of the major measures in achieving our country's second-step strategic objectives. In general, the enterprise groups that have now been established have a multilayered structure and are economic entities combining the work of production, business operations, and technological and market development. Their establishment and development meet the requirements for developing the economy and assisting enterprises in competing with others in the domestic as well as international markets. Formation of large enterprise groups is no easy task because they must have their own characteristics and are required to meet certain stringent conditions. Nonetheless, some localities and departments have ignored the required conditions when planning and organizing their enterprise groups. In order to go ahead of others, they have rushed to organize enterprise groups and develop them in an arbitrary way. To sum up, there are three principal types of rushed actions:

First, some have rushed headlong into mass action. The state has decided that emphasis be put on setting up 100

big enterprise groups during the period of the Eighth Five-Year Plan. This is a decision based on the reality of economic developments nationwide. However, some localities have ignored their actual conditions, and have arbitrarily increased the number of enterprise groups to be established and tried to "get ahead of others" in forming such enterprise groups. Some provinces have set up the goal of forming 50 or 60 enterprise groups this year. Some cities, though lacking a powerful economy, also want to form over a dozen enterprise groups this year. Without the necessary conditions for doing so, they can only "add more water to make up for insufficient rice while cooking their meal." Some of them have only erected a big empty framework; others could only make plans on paper. This is the first kind of expression.

Second, some administrative companies have become enterprise groups. To make up the required number and fulfill the "task" of forming enterprise groups, some localities and departments have arbitrarily renamed their administrative companies "enterprise groups." These companies remain "unchanged in three aspects"—that is, there is no change in their administrative function, their personnel, and their relations with the departments they are subordinate to. The appearance of these "variations" of companies not only has no practical significance, but also defeats the original purpose of forming enterprise groups.

Third, an extra structure is set up, and as a result, the enterprises get a new "boss." According to principle, an enterprise group should have one or several big powerful enterprises at its core. In a city in East China, however, an enterprise group was actually an administrative organization over and above several enterprises in the same field. This organization was given the name of an enterprise group. It is known that this absurd phenomenon is by no means an isolated case. As described by comrades of many enterprises, if such a situation continues to develop, their enterprises will have another new "boss," and it will be even harder to do their work.

In our country there are broad prospects for the development of enterprise groups, and the work in this regard is just in the beginning stage. Public figures in economic and business circles have expressed this opinion: To ensure the healthy development of the work of forming enterprise groups, it is imperative to keep to the principle of acting vigorously but safely, stress the need to comply with economic rules, set a strict criterion for the establishment of big enterprise groups, and develop such groups only when conditions are ripe. The practice of blind development aimed at following trends will not serve the purpose of enterprise groups, but on the contrary, will pose new difficulties to the work of adjusting production and organizational structures. They hope that the departments concerned will take measures to give proper guidance and correct the above-mentioned practice.

### Integration, Economic Returns

OW1207142991 Beijing XINHUA in English  
0654 GMT 12 Jul 91

[Text] Wuhan, July 12 (XINHUA)—China's 1,600 enterprise groups have resulted in integrated production, finances, personnel and marketing, and have produced better economic returns, according to information released at a national meeting held here.

Chinese enterprises began to organize conglomerates when China instituted economic reform over a decade ago. Prior to the reform many enterprises were unable to expand production due to limited space, a shortage of funds or an inadequate labor force. In addition, the equipment, funds or labor force of some other enterprises remained idle because they lacked technology and were unable to market their products. The organization of enterprise groups has enabled them to display their advantages and eliminate any previous shortcomings.

However, in the initial stages many enterprise groups were loosely integrated and lacked coordination.

In recent years, enterprise groups have quickened their moves towards integration and standardization as a result of changes in their economic structure.

Sources who attended the seminar concerning enterprise groups reported that the 1,600 enterprise groups are considered to be standardized ones across the country. The groups are characterized by the integration of planning and personnel, finance, properties, material supply, production and marketing.

These enterprise groups are centered around large and medium-sized state owned firms which have up-to-date equipment and a strong technical force.

The establishment of enterprise groups has also helped their members overcome difficulties related to funds shortages which had plagued many enterprises in recent years because of the austerity policy.

At the same time, the groups have realized increased social cooperation by rearranging the division of labor between various enterprises, and have attained a more reasonable coordination of production processes.

For instance, the Changjiang Power Corporation, which is made up of the manufacturers of generators and boilers in Wuhan, Beijing, Tianjin, Hebei and Shenzhen, can undertake a variety of projects ranging from the construction of workshops, to the testing and installation of generating units. Integration has eliminated a number of intermediate links and has raised efficiency dramatically.

## East Region

### Anhui Congress Holds Standing Committee Meeting

OW1607043391 Hefei Anhui People's Radio Network  
in Mandarin 1000 GMT 12 Jul 91

[From the "Provincial Hookup" program]

[Excerpts] The 24th Session of the Standing Committee of the Seventh Anhui Provincial People's Congress opened on 10 July. Wang Guangyu, chairman of the Standing Committee, presided over the meeting. He opened the meeting with these words: This meeting is convened at a time when we are in the midst of fighting an arduous battle against floods. The task before us is very formidable.

The meeting studied the speech of Comrade Jiang Zemin at the rally marking the 70th anniversary of the founding of the Communist Party of China. The attending comrades participated in a provincial telephone conference convened by the provincial party committee and government [as heard], and heard the relay of the important instructions given by Jiang Zemin and other central government leaders on antiflood work in the province, and the further flood-fighting arrangements by the provincial party committee and government. [passage omitted]

[Name indistinct], vice chairman of the Standing Committee of the provincial people's congress, presided over the plenary session on 11 July. Zheng Rui, Kang Zhijie, Chen Tianren, and Du Hongben were present. Wang Chengle, president of the provincial Higher People's Court, attended the meeting as an observer.

### Officials in Fujian's Xiamen Charged With Graft

OW1107073391 Tokyo KYODO in English 0657 GMT  
11 Jul 91

[Text] Hong Kong, July 11 KYODO—Two high-ranking officials in China's Xiamen Special Economic Zone [SEZ] are being investigated on graft charges, a Hong Kong economic daily reported Thursday.

Chen Deqiao, former director of Xiamen's Bureau of Foreign Investment Administration, has been arrested, and Chen Zhihan, deputy mayor of Xiamen, has stepped down, according to the Chinese-language HONG KONG ECONOMIC TIMES.

Unidentified sources were quoted as saying Chen Deqiao had been found to have used his position to sell land, leaked internal confidential information when approving foreign investment projects, caused the government to suffer losses, and accepted large bribes, resulting in his arrest.

The newspaper said Chen Deqiao, a senior economic official who had served as director of the bureau for many years, had established close relationships with overseas industrialists and journalists.

Credited with attracting a great deal of foreign investment to Xiamen, he had already reached retirement age and should have stepped down earlier, the newspaper said.

However, government officials in Fujian Province and Xiamen were unable to find anyone to take his place and so allowed him to remain in the post.

Chen Zhihan, also suspected of graft, has reportedly been dismissed from his position, although no official announcement has been made, the report said.

It said key officials in the province were paying special attention to the case, calling for a full accounting.

Others, however, argue the two Chens have considerable influence abroad, and that the case should be played down.

Huang Qingquan, who has replaced Chen as bureau director has indicated Xiamen's open door and foreign investment policies will not be affected by the case.

### Jiangsu's Shen Daren on Party Leadership

OW1607143691 Nanjing XINHUA RIBAO in Chinese  
26 Jun 91 p 1

["Upholding the Leadership of the CPC To Ensure Attainment of the Second-Step Strategic Objective, by Shen Daren"—XINHUA RIBAO headline]

[Text] July 1 this year is the 70th anniversary of the founding of the CPC. Reviewing the past and looking forward to the future on this glorious occasion, we deeply realize that the leadership of the party is our greatest political superiority and the fundamental assurance for attaining the strategic objective of socialist modernization.

Seventy years are no more than a flash in the long development process of human society; however, during this period our party has followed a long and tortuous road in leading the Chinese people in a struggle of extreme hardship and difficulties on this ancient land of the East. We have toppled the "three big mountains" of imperialism, feudalism, and bureaucratic capitalism, founded New China, completed socialist transformation, and embarked on a magnificent socialist cause. Since the Third Plenary Session of the 11th CPC Central Committee, particularly, the pace and achievements of our economic and social development have drawn worldwide attention. The Chinese people not only have stood up but also have been striding proudly and courageously along the road of building socialism with Chinese characteristics.

The provinces have benefited from the prosperity of the country. Like other parts of the country, the province has seen great changes in the past years. In the past 10 years or so, in particular, we have advanced by leaps and bounds since reform and opening to the outside world. Last year, the province's total output value, GNP, national income, and gross output value of industry and agriculture topped 379.974 billion yuan, 131.439 billion yuan, 113.831 billion yuan, and 334.463 billion yuan respectively. These four major economic indices have



respectively increased by 30 times, 12 times, 13.6 times, and 29 times since the immediate post-liberation periods and by 4.9 times, 3.2 times, 3.3 times, and 4.1 times over 1978. The living standards of urban and rural residents has also improved noticeably following economic and social development. Last year, spendable incomes for daily lives averaged 1,464 yuan per urban resident in the province, while the per capita net income of peasants reached 884 yuan. Furthermore, there has been considerable development in spiritual civilization and various social undertakings in the province, thus changing the mental attitude of the people.

The great changes that have taken place on the Chinese land show clearly: Without the leadership of the Communist Party, there would never have been a New China or great socialist achievements. Every success and achievement in China's revolution and development is the result of the party's effort in leading the people of various nationalities to keep on fighting side by side in spite of all the setbacks.

A review of the past reveals brilliant achievements in the party's struggle, while a look at the future points to the party's grand and strenuous historic mission. Our party's historic mission principally calls for leading people of all nationalities across the nation to steadfastly take the path of socialism with Chinese characteristics, strive to achieve the three-step strategic goal of conducting socialist modernization, and build our country into a modern socialist nation that is prosperous, democratic, and civilized. Under the party's leadership, our people have successfully achieved the first strategic goal of socialist modernization. On the basis of this, the Seventh Plenary Session of the 13th party Central Committee and the fourth session of the seventh National People's Congress outlined the various tasks for attaining the second strategic goal in the next decade. In accordance with central guidelines and local realities, our province also spelled out the goals of struggle for the next decade, calling for achieving the second strategic goal of modernization, upgrading overall national economic quality to a new level, and working hard to build Jiangsu into a province that is economically prosperous, scientifically and educationally developed, well-to-do, and socially civilized.

The most fundamental and important way to attain the second strategic goal of socialist modernization is to consistently uphold the party's leadership. Only by upholding the party's leadership can the party's historic mission be accomplished. This is a fundamental Marxist tenet. Lenin repeatedly and emphatically said that to build a new society after the old one had been radically changed, it was imperative to "have a long-tested army of communist revolutionaries. There is such an army. It is none other than the party." Comrade Mao Zedong also said: "The CPC is the core of leadership of all the Chinese people. Without such a core, the socialist cause will not succeed." In the new historical period, Comrade Deng Xiaoping put forward the Four Cardinal Principles as the foundation for building the nation after the emergence of an ideological trend of bourgeois liberalization in society to negate the party's leadership. He also said emphatically: "Putting the CPC in charge

of the cause of China's socialist modernization is an unshakable principle. If this is shaken, China will fall back into division and chaos, and modernization cannot be realized." After the Fourth Plenary Session of the 13th party Central Committee, Comrade Jiang Zemin further stated specifically: "The CPC's leadership is the basic guarantee for the working class to accomplish its historic mission." Practice in our country's revolution and construction over the past several decades proved time and again that our endeavors were successful whenever we upheld the CPC's leadership, and that they suffered setbacks whenever we weakened the party's leadership." Today, we also need to uphold the party's leadership to achieve the second strategic goal of socialist modernization. This is because our party is armed with Marxism-Leninism-Mao Zedong Thought, is good at linking basic Marxist tenets with concrete realities in China's revolution and construction, and is proficient and schooled in the laws of social development. It also understands the principal contradictions, fundamental traits, and developmental trends in various stages of historical developments in modern Chinese society; has scientifically sound foresight; is capable of pointing out the way of advancement that is consistent with China's characteristics; and has formulated corresponding strategies and tactics. Only under the leadership of such a party can we ensure the correct orientation for modernization and decisively tackle new circumstances and problems arising in the course of achieving the second strategic goal. This is because our party has taken firm root among the masses and has all along clung to the goal of serving the people wholeheartedly. Always seeing the people's interests as its greatest, our party breathes and shares the fate of our people. Only under the leadership of such a party can we pool the wisdom and strength of our people across the country, mobilize all positive factors, and head for the set goal with one heart and one mind. This is also because our party has accumulated extensive experience and learned many profound lessons after having experienced a lot of hardships and been repeatedly tempered during the long and arduous course of revolution and construction. Our party cannot only uphold the truth but also correct mistakes. In the face of formidable missions and complicated circumstances, only under the leadership of such a party can we stand the tests of victory, failures, prosperity, and adversity; weather many a storm; overcome all difficulties, and achieve one triumph after another in our socialist modernization.

To adhere to the party's leadership, we should first adhere to its line as well as general and specific policies. Since the Third Plenary Session of the 11th Party Central Committee, guided by Marxism and taking into account China's conditions, our party has formulated a basic line of "one central task and two basic points." In the new historical era, to adhere to the party's leadership, we first have to uphold the party's basic line. To uphold the party's basic line, we first have to tackle the central task of economic construction and concentrate all our efforts on developing social productive forces. Comrade Deng Xiaoping pointed out that the party's "correct political leadership, in the final analysis, will be reflected in the development of social productive forces and the

improvement of people's material and cultural lives." Economy is the foundation of everything; productive forces are the most fundamental of the determinants in the development of society. When we consider a matter or evaluate work performance, we should see if it will eventually facilitate the development of social productive forces. There is no doubt that all levels of party organizations as well as vast numbers of party members and cadres in the province are quite aware of the importance of the central task of economic construction. A small number of comrades, however, has no sense of urgency and responsibility in terms of developing productive forces; therefore, we have to continue the education campaign on the central task of economic construction among all levels of party organizations and vast numbers of party members and cadres. In this way, we will ensure that they have a firm understanding of the central task of economic construction, concentrate their efforts on developing social productive forces, and improve the national economy. The "one central task and two basic points" are an organic whole. We cannot do without either one of them, or neglect either without making any mistakes. We must carry out both of them. We must overcome the tendency of "being tough in one breath and soft at another." We must always adhere to the Four Cardinal Principles, firmly oppose bourgeois liberalization, promote the development of spiritual civilization, and ensure the socialist orientation of economic construction, reform, and opening to the outside world. Meanwhile, we should continue to emancipate the mind, make daring exploration, deepen various reforms, accelerate the process of opening to the outside world, and facilitate faster and better the development of social productive forces.

It is necessary to further strengthen party building to uphold the party's leadership. Only by building the party into an organization that is theoretically more mature, ideologically more integrated, politically stronger, internally more united, and linked closer to the people can we further solidify the party's ruling status, withstand all kinds of trials, and achieve greater success in leading people throughout the nation toward attaining the second strategic goal of socialist modernization. Construction of the leadership ranks is key to party building. In light of the leadership ranks at all levels in our province, it is currently necessary to place special emphasis on effectively conducting ideological construction and raising the Marxist theoretical levels of leading cadres. Leading cadres at all levels should continue to assiduously study the works of Marx, Lenin, Comrade Mao Zedong, Comrade Deng Xiaoping, and other proletarian revolutionaries of the older generation. They should also earnestly study the theories, line, principles, and policies on building socialism with Chinese characteristics, and constantly improve their Marxist theoretical knowledge and capacity for solving practical problems. In conducting such studies, they should persevere in linking theory with practice, consciously remold their world outlook, conquer nonproletarian thinking, and firmly nurture a communist world outlook. In building

the leadership ranks, it is essential to select and appoint personnel in strict accordance with the principle of making the cadres "more revolutionary, younger, better educated, and more professional" and with the criterion that stresses both ability and political integrity. Efforts should also be made to nurture and train tens of millions of successors to the socialist cause and to ensure that leading powers at all levels are truly vested in Marxist loyalists. Remedying the party's behavior is an important aspect of party building. Comrade Jiang Zemin recently admonished the entire party in an extremely solemn tone: "During the Yanan rectification movement, Comrade Mao Zedong asked everybody to read Guo Moruo's 'In Memory of the Tricentennial of the Jiashen Incident' [a document reviewing an abortive peasant uprising staged toward the end of the Ming Dynasty]. Some people currently engage in corrupt practices and bribery, go completely against the party's goal of serving the people wholeheartedly, and deviate fully from the criteria set for CPC members. Corruption and bribery will inevitably open the way for hostile forces to pursue the strategy of peaceful evolution. Those forces want to topple us exactly in this way. Without settling the issue of fighting corruption, it will be very difficult for our party to remain invincible." We must try to understand the importance and urgency of rectifying the party's conduct from this high vantage point, adopt more effective measures, and make more substantive and fruitful efforts in rectifying the party's behavior in our province. Construction of party organizations at the grass-roots level provides the underpinning for party building. It is essential to sum up experiences earnestly, build grass-roots party organizations in rural areas in a down-to-earth manner, and work to ensure success in this respect. In addition, we should continue strengthening party organizations in enterprises, urban neighborhoods, party and government organs, and schools. In this way, all grass-roots party organizations across the province will become powerful cores of leadership and fighting forces and play a bigger role in fulfilling the second-step strategic goal.

Presently, there are 2.86 million communists in the province. Vigorous party members are the nucleus for upholding the party's leadership, achieving the party's mission, and promoting the development of spiritual and material civilization in the province. If all communists fully play the exemplary vanguard role in their own posts and lead and work together with the people, then the party's leadership will be able to reach the grass roots thoroughly, and the party's various tasks will be fulfilled smoothly; therefore, we must heed and intensify the effort to strengthen party members. We must constantly educate our party members to help further enhance their party sense, reinforce their party spirit, and fortify their faith in communism. In this way, we will also help them firmly establish the goal of serving the people wholeheartedly, better play the exemplary vanguard role, and make more contributions to realizing the second-step strategic goal.

Our country is currently at a very crucial point. Communists today shoulder heavy responsibilities. Let us mark the 70th anniversary of the party's founding as a new starting point and, led by the party Central Committee with Comrade Jiang Zemin at its core, unite together, blaze new trails, steadfastly advance along the socialist road with Chinese characteristics, and strive for the realization of the second-step strategic goal of modernization.

#### **Wu Bangguo at Shanghai Family Planning Forum**

*OW1607050691 Beijing XINHUA Domestic Service in Chinese 1324 GMT 12 Jul 91*

[By Jiang Wei (1203 1792)]

[Text] Shanghai, 12 Jul (XINHUA)—Today when relaying to the entire municipality the guidelines set at a family planning work forum held at the central level, Wu Bangguo, secretary of the Shanghai Municipal Party Committee, said: Although Shanghai has done better than any other part of the country in meeting the various family planning targets, its population problem is still very serious. During the period of the Eighth Five-Year Plan, we should continue to consolidate and improve our family planning work and try to control our population within the limit of 13.5 million by the end of this century.

During the period of the Seventh Five-Year Plan, Shanghai conducted an all-people propaganda and educational campaign on family planning. At the same time, it has promulgated and strictly implemented the "Regulations on Family Planning in Shanghai Municipality," thus putting family planning on the track of the legal system. All related indices, such as the birth rate and natural population growth rate, were lower than the nationwide average. In 1990, Shanghai's birth rate was 10.25 per 1,000, natural population growth rate was 3.51 per 1,000, and the proportion of women giving birth to babies among the women of child-bearing age was 1.31 [figure as received]. This population development pattern has reached the level of modern developed countries.

Wu Bangguo pointed out: Family planning is a project which requires less input but produces enormous social and economic benefits. For the past 27 years the actual number of new births in Shanghai has been reduced by 5.56 million, compared with the births that the municipality would have if the birth rate remained as high as the 1963 rate. This has saved 89 billion yuan for the state and the families concerned in child-rearing expenses. Moreover, effective control of population growth has reduced to a great extent the pressures on housing, transportation, medical services, employment, and public welfare in Shanghai.

Wu Bangguo asked the leadership at all levels to understand fully the importance and urgency of population growth control, pay great attention to those units where family planning work has not been carried out well, devote more efforts to family planning work among the floating population, and reduce the rate of abortions to create a more favorable population environment for

revitalizing Shanghai and make due contributions to the work of population control nationwide.

#### **Addresses Flood Meeting**

*OW1607050891 Shanghai People's Radio Network in Mandarin 2200 GMT 13 Jul 91*

[By (Zhang Liquan), from the "Morning News" program]

[Text] Party committees from rural areas of Shanghai municipality and the municipal agricultural commission yesterday [13 July] held a meeting with responsible party and government persons from agricultural zones, counties, bureaus, and departments, to report on damage caused by floods in an earlier period and arrange future work to floods. The meeting was held at the instructions of principal leaders of the municipal party committee and municipal government. Municipal party committee and government leaders Wu Bangguo, Ni Hongfu, Wang Liping, and Zhuang Xiaotian attended the meeting.

At yesterday's meeting, Municipal Party Committee Secretary Wu Bangguo fully affirmed contributions made by the great numbers of cadres and people in the first battle against flooding in suburban areas. He said: People from suburban areas, in particular those from the three counties of Qingpu, Jinshan, and Songjiang, sacrificed their immediate interests and opened flood-relief channels. They contributed to the present efforts to lower water-levels in Tai Hu and ease the overall flood situation. They also prepared the ground for harnessing Tai Hu in the future. In their first battle against flooding, grass-roots party organs in Shanghai's rural areas withstood training and tests. Many facts have testified to the appeal, fighting power, and rallying call of rural party committees.

Wu Bangguo asked leaders at all levels in agricultural zones to make suitable arrangements to provide people from major disaster zones with daily needs. In particular, the leaders should pay more attention to peasants who sacrificed for the general interest of flood fighting. He asked rural cadres to visit peasant homes one by one and extend regards to them, make arrangements to provide peasants with daily needs, and perform the responsibilities of cadres. He said: A bigger test awaits us. The great spring tide has arrived now. Water levels in many places are above critical levels. We should not relax our efforts. We should get prepared to fight major disasters and floods and make further persistent efforts to fight a second major battle.

Wu Bangguo also asked counties in suburban areas to make overall arrangements for this year's work. He said: These counties should concentrate on production while fighting floods, ensure market supply, strive to reap a good agricultural harvest this year, and strive for new progress in economic development. We should never lose sight of our goals. We should rise with force and spirit in the face of disasters. We should boost our morale and not be disheartened. Agricultural commissions should set certain goals, and the same goes for counties and townships. We should proceed from actual



conditions and not the opposite. Wu Bangguo said emphatically: In our efforts to fight floods, party organs at all levels should emphasize efforts to expand their ranks and construct spiritual civilization. Disasters are bad news. If our party organizations perform their job well, bad news will become good news.

Ni Hongfu, deputy secretary of the municipal party committee, also spoke at the meeting. He asked leaders at all levels in suburban areas to rise with force and spirit in the face of disasters, do solid work, and give more related instructions. In addition to combating flooding, carrying out flood-relief work, and making arrangements to provide people with daily needs, the leaders should focus on public order and ensure social stability.

After reviewing and summing up the first battle against floods, Vice Mayor Zhuang Xiaotian made suggestions on the next phase of work. He asked cadres and people of suburban areas to continue promoting the spirit of braving hardship and carrying out tenacious struggles, to unite efforts to fight floods, and to emphasize effective production work to lessen internal losses, cut down requests for external aid, tide over agricultural losses with industrial gains, and channel aid from fraternal counties and townships to flood-stricken areas.

According to our knowledge, the flood disaster, rarely seen in the past forty years, has already flooded over 800,000 mu of farmland, and economic losses throughout rural areas are estimated at about 400 million yuan.

### Central-South Region

#### Guangdong Industrial Production Up 27.1 Percent

OW1607090591 Beijing XINHUA in English  
0738 GMT 16 Jul 91

[Text] Guangzhou, July 16 (XINHUA)—The total industrial output value in the first half of this year in south China's Guangdong Province grew by 27.1 percent over the same period of last year to reach 95.452 billion yuan, meeting 53.9 percent of the annual plan.

According to provincial statistical department, the output value of light industry increased by 29.1 percent to reach 65.976 billion yuan and heavy industry registered an increase of 22.7 percent to reach 29.476 billion yuan.

Foreign-funded enterprises led the field, with a half-year growth of 49.1 percent, followed by collective enterprises which grew by 21.8 percent, and state enterprises which registered a 19.9 percent increase.

The growth rate was far higher than the moderate growth of around 7 percent planned by the state for the national economy this year.

#### Guangdong Launches Antinarcotics Campaign

HK1507150791 Hong Kong TA KUNG PAO  
in Chinese 10 Jul 91 p 4

[Article by staff reporter Lin Ning (2651 1337), dispatched from Guangzhou on 10 July: "Fighting Drugs Brooks No Delay in Guangdong"]

[Text] Guangdong Province held a drug banning meeting today, and as scheduled, a lot of drugs are to be burned in Humen tomorrow. In the evolution of history, sometimes there is a startling "similarity." Today, 150 years after the Opium War, Guangdong will destroy drugs by burning in Humen where Lin Zexu burned 2.3 million kilograms of opium in those years. This cannot but make people quiver.

It has been learned that the number of drug addicts in Guangdong has been steadily on the rise in recent years, and the situation is even more serious in the economically developed, open coastal cities, such as Guangzhou, Shenzhen, Zhuhai, and Zhongshan. In Zhuhai alone, in a short period of several months, several hundred drug traffickers and drug addicts were arrested for an increase of 1,000 percent over the 12-month figure of 1989. Of those arrested, three people died of drug abuse.

#### Drugs Flow Into the Province Through Three Channels

At present drugs flow into Guangdong roughly through three channels: One is that drugs are shipped through a land route from the "Golden Triangle" region or carried by people to Guangdong, and some of the drugs are sold in various parts of the province through secret underground channels and the rest are transferred to international markets for sale through Hong Kong and Macao; the second is that drugs are smuggled from Hong Kong and Macao into the province through various ports; and the third is that drugs are secretly traded through fishing ships on the seas off the coastal areas of the Hong Kong and Macao region and the province. The drugs traded are mainly opium, heroin, dolantin, marijuana, opium poppies, and methadon, with heroin being most traded.

Guangdong, which borders on Hong Kong and Macao, which has good transport facilities and many exit-entry ports but lacks experience in suppressing drug smuggling and antidrug equipment, is viewed by drug dealers as a "golden channel" for drug trafficking. Criminal activities such as drug trafficking and drug taking are now getting increasingly rampant in the province. Before 1986, only tens of such cases were brought to light each year. Beginning in 1987, the figure jumped to 100 cases or more. From January to September in 1990, the number of criminals sentenced by people's courts throughout the province for drug dealing was nearly 100 percent over the same period of the previous year, and from January to May this year, the Guangzhou City People's Court alone handled and tried 75 cases of drug trafficking with 136 people involved; this figure was higher than all of 1990.

Different from ordinary smuggling, drug smuggling promises fairly substantial profits as drugs can be easily smuggled in small quantities, and, moreover, every drug addict spends roughly around 200 to 500 yuan on the material a day. Judged from the already cracked drug dealing groups, their activities on the mainland were, in general, carefully engineered by international drug dealing groups in Hong Kong and Macao. Well-organized, the drug dealing groups have their own special processing, transport, and marketing channels on the mainland. They even protect drug trafficking or transport with arms or resist inspection by violence.

#### **More and More Drug Taking Activities Are Carried Out in the Open**

Drug-taking activities are carried out increasingly in an open and diversified manner. In the past, the activities were carried out secretly on an individual basis, and now they are carried out in such public places as small catering shops and street food stalls operated by self-employed workers. Previously, drug addicts used heroin and opium, and now they consume inhibitors, narcotics, and even take medicine to relieve addiction. In sinister drug dens, both drugs and drug-taking facilities are available for sale and use. Not long ago, in a resident's home, the Guangzhou City Public Security Bureau smashed up a drug den and arrested 20 drug addicts on the spot. According to the confessions given by those involved in the case, at least 10 people went there to take drugs every day and in the extreme case the figure was as high as 20 to 30 people. The people were mostly in their twenties.

Drug trafficking and drug taking have become an increasingly serious social problem in Guangdong. Although mainland laws have increased the penalty to the limit of the death penalty for drug trafficking, tempted by huge profits, quite a few desperadoes risk danger and vie with one another in drug dealing. Particularly, some drug addicts who are familiar with the circulation channels of drugs because of their long-standing drug taking experience, also provide drugs for the new comers for profits. Once their financial resources were exhausted, these people would not hesitate to employ all means to get drugs and even commit a crime using violence for that purpose.

#### **An Antidrug Campaign is Being Carried Out Vigorously and Speedily**

The resurgence of drug-related crimes has attracted the great attention of the Guangdong authorities. A drug-banning leading group has been set up with the participation of public security organs, procuratorial organs, people's courts, frontier inspection stations, and custom houses with the provincial government acting as the leader. In December of last year, Guangzhou City held a citywide antidrug rally in which six criminals whose cases of drug trafficking were extremely serious were sentenced to death and executed immediately. Since May this year, the same selected regions again launched a fight-drug campaign. In Zhuhai alone, 21 drug-dealing and drug-taking dens were destroyed. In some

open cities and regions of the province, together with trade unions and youth and women associations, the political and legal organs formed antidrug group and launched a war on drugs. Addiction treatment centers and classes have emerged one after another. Since the Guangzhou City Addiction Treatment and Education Center was set up in 1989, it has absorbed and treated nearly 1,000 drug addicts. Of late, Shenzhen City has also set up an addiction treatment center where drug addicts are to be given mandatory addiction treatment. At the current provincial drug-banning meeting, a plan was made for launching a new larger-scale fight-drug operation. It must be said that the measures taken are decisive and firm.

However, wiping out drugs can on no account be accomplished in one move. According to departments concerned, after receiving mandatory addiction treatment, more than 90 percent of drug addicts would take drugs again. The only way to help these people not to do so is to stamp out the supply of drugs. Since drug-dealing organizations on the mainland are closely related to international organizations, close coordination and cooperation between the mainland police on the one hand and the International Police Commission and international antidrug organizations on the other are required to jointly eliminate the supply of drugs.

#### **Typhoon Hits Hainan, Causes Economic Losses**

*OW1507144191 Beijing XINHUA in English  
1249 GMT 15 Jul 91*

[Text] Haikou, July 15 (XINHUA)—A provincial official from south China's Hainan Province said today that Typhoon Zeke caused the death of 20 people, and resulted in economic losses of over 450 million yuan (85 million U.S. dollars).

The typhoon, the sixth this year, hit Hainan on July 13 and swept through eight counties on the island. The typhoon affected over 505,000 people, including four persons reported as missing and 33 injured.

The dense tropical storm, with its accompanying torrential rains and floods, destroyed 3,723 houses, 92,300 hectares of crops and 9.33 million rubber trees, as well as 28,000 head of livestock, 718 km of highways, 38 bridges and 1,282 km of power lines. The storm also damaged 58,103 residential houses.

Local authorities are mobilizing residents in the province to begin rebuilding efforts in the aftermath of the storm.

#### **Southwest Region**

##### **Sichuan Provides Aid to Flood-Stricken Areas**

*OW1607145391 Beijing XINHUA in English  
1136 GMT 16 Jul 91*

[Text] Chengdu, July 16 (XINHUA)—Southwest China's Sichuan Province is sparing no effort to provide funds and materials to other areas which have suffered from heavy

flooding over the past few weeks, even though the province itself has sustained heavy damage caused by the storms, hail, mud-rock flows and landslides.

East China's Jiangsu Province established a mutual assistance partnership with Sichuan earlier this year. When Jiangsu was hit by the worst flooding in decades the people of Sichuan Province did not hesitate to supply the people in Jiangsu with much needed straw bags, fine timber, disinfectants and medicines.

A train carrying the materials, which are valued at over 400,000 yuan, left for Jiangsu on Monday.

Since late May of this year, the people in Sichuan have also been battling the effects of natural disasters which have caused substantial damage, including collapsed roads, destroyed homes and damaged reservoirs. A spokesman for the provincial government reported that total economic losses in Sichuan have been estimated to be over two billion yuan.

#### **Pu Chaozu Addresses Yunnan Plenary Session**

HK1707010091 Kunming Yunnan People's Radio  
Network in Mandarin 1000 GMT 12 Jul 91

[Excerpts] The Second Enlarged Plenary Session of the Fifth Yunnan Provincial CPC Committee was solemnly opened this morning in the People's Victory Hall in Kunming. Those who attended the session were: Provincial party Secretary Pu Chaozu; provincial party Deputy Secretaries He Zhiqiang, Yin Jun and Liu Ronghui; Qiu Chuangjiao, Ren Keli, Liang Jinquan, Bao Yongkang, and (Wang Guangjian), members of the provincial CPC Committee Standing Committee; and members and alternate members of the provincial CPC committee. [passage omitted]

At 0900, He Zhiqiang announced the opening of the session. On behalf of the provincial CPC committee standing committee, Pu Chaozu delivered a work report entitled "Getting a Clear Understanding of the Situation, Being Clear About the Tasks, and Exploring the Way Forward." In his report, Comrade Pu Chaozu dwelt on the following four issues: 1) Reviewing the main work since last year; 2) The three major characteristics of the present situation in Yunnan; 3) The main tasks in the future; 4) Further strengthening the building of the party.

Pu Chaozu said: The Fifth Congress of the Yunnan Provincial CPC Committee was held in early August of 1990. In accordance with the spirit implemented since the Fourth Plenary Session of the 13th CPC Central Committee in conjunction with the practical conditions in Yunnan, the fifth congress of the provincial CPC committee adopted a report on the future building of the two civilizations in Yunnan which was practical in terms of guidance thinking and specific tasks. Thanks to the concerted efforts of the broad masses of cadres and people of various nationalities, greater achievements have been made in the work in various aspects. Our agriculture has been further boosted, and our industrial

production has been increasing steadily. Fairly smooth progress has been made in the key projects involving energy, communications, and four other major industries. A clear path of regarding education as the foundation and invigorating Yunnan with science and technology has been opened up. New success has been scored in the building of spiritual civilization and comprehensive management of social order. Party building has been incessantly strengthened. The achievements in the above-mentioned six aspects have been made under the correct leadership of the CPC Central Committee, and should be attributed to the people of various nationalities of the whole province, who are uniting as one, struggling hard and exerting their joint efforts. A good situation of nationality solidarity, social stability, economic development, and improvement of living standards has emerged in Yunnan.

Pu Chaozu added: Yunnan's economic development has entered a new stage. Its opening up to the outside world is facing a rare favorable opportunity. It is also facing a long-term, strenuous and complicated struggle with regard to the building of spiritual civilization and the management of social order. These are the three major characteristics of the present situation in Yunnan. In accordance with the spirit of the Seventh Plenary Session of the 13th CPC Central Committee, in conjunction with the practical conditions in Yunnan, we should do well the work in the following four aspects in the coming years:

1. We should truly bring economic construction onto the track of relying on science and technology and improving the quality of our laborers.
2. We should firmly and unswervingly strengthen projects for water conservancy works, communications, energy, and basic facilities. Our efforts should be mainly devoted to the four major industries.
3. We should seize the favorable opportunity, give play to our local strong points, and create a situation in opening up to promote Yunnan's economic development.
4. We should rely on grass-roots organizations to go all out to mobilize the masses, and strengthen the building of spiritual civilization and comprehensive management of social order.

Pu Chaozu stressed: Our party is shouldering the great historical mission of building socialism with Chinese characteristics and facing three major trials, namely, the trial of being the ruling party, the trial of reform and opening up and developing commodity economy, and the trial of opposing peaceful evolution. The state of affairs in the party concerns the future and destiny of the state and nation. We should concentrate our efforts on further building our party well. The fundamental task of building the party is to work hard to enhance the Marxist level of the entire party. The key lies in improving the political quality of party-member leading cadres above county level. We should rely on them to strengthen the building of grass-roots party organizations with party



branches as their core. We should unswervingly grasp party style and the building of a clean and honest government administration to strictly enforce party discipline and law. We should stick to principle to punish corrupt elements despite their positions and seniority. We should overcome bureaucracy to improve our work style and forge close links with the masses. Once we have set our objectives and tasks, we should firmly grasp the measures for fulfilling them. We should avoid indulging too much in idle talk, and do more practical work. Leading organs should serve grass-roots units, and do more useful work for the masses.

In conclusion, Pu Chaozhu said: Under the leadership of the CPC Central Committee, let us further get a clear understanding of the situation, unify our thinking, work in a down-to-earth manner, firmly grasp the implementation of our policies, and resolutely and unswervingly march toward our objectives of struggle.

### Major Narcotics Case Cracked in Yunnan

HK1607122191 Beijing RENMIN GONGAN BAO  
in Chinese 25 Jun 91 p 1

[Report by Pan Changxu (3382 7022 2485): "Yunnan Provincial Public Security Organs Have Fought Hard for Approximately Three Consecutive Months and Cracked a Case in Which Taiwan Lawless Elements Conspire with Mainland Lawless Elements To Traffick in Drugs"]

[Text] Yunnan provincial public security organs have recently cracked an exceptionally big case in which five Taiwan lawless elements trafficked in drug in collusion with 18 mainland lawless elements, arrested 23 drug traffickers, and seized 5,457 grams of heroin and 59,000 yuan Renminbi [RMB], \$518, and HK\$1,030.

On 14 March, Yunnan provincial public security organs learned: Chen Hsing-chan [Zhen Xiangzhan] and Wu Kuo-liang [Wu Guoliang], Taiwan lawless elements, carried an enormous sum of money and in collusion with Sun Qingjie and Su Guoqi, mainland lawless elements, contemplated going Yunnan from Xiamen to carry on drug trafficking activities. The provincial public security department and Kunming City public security bureau quickly organized a special case group to devote all its energy to crack the case.

On 12 April at about 2 o'clock, in collusion with Taiwan lawless elements to commit the offense, Cai Jinxiang, a mainland lawless element, was arrested by anti-narcotics cadres and policemen as he brought drugs to Kunming from Baoshan, and the prohibited goods were seized at the same time. The same evening, the anti-narcotics cadres and policemen continued to fight hard, arrested five drug-traffickers, including Chen Hsing-chan and Wu Kuo-liang, and seized prohibited goods. Subsequently, the special group was divided into two teams, which respectively went to Baoshan and Xiamen in Fujian. With the cooperation of the public security departments of the two places, they arrested 17 drug traffickers.

### Yunnan To Supply Guangdong More Electric Power

OW1507183991 Beijing XINHUA in English  
1059 GMT 15 Jul 91

[Text] Kunming, July 15 (XINHUA)—Southwest China's Yunnan Province will be able to supply more electric power to its rich neighbor, Guangdong Province, when more power stations are completed along the Lancang and other major rivers over the next ten years.

As part of a program to transmit electric power from the west to the east, the Ministry of Energy and the State Energy Investment Corporation plan to explore the hydro resources along the middle and lower reaches of the Lancang River.

Both Yunnan and Guangdong have agreed to allocate funds for a number of huge construction projects, some of which will extend into the 21st century.

More than 70 percent of China's hydroelectric power resources is centered in the southwest. Major power supply bases are the Hongshui River in the Guangxi Zhuang Autonomous Region, the Lancang River in Yunnan Province and the Jinsha River in Sichuan Province.

The Lancang River is 1,240 km long. Experts said that at least eight power stations can be built along it, with a total installed capacity of 14.31 million kwh.

A power station with an installed capacity of 1.5 million kwh is being constructed at Manwan, with investment from the Ministry of Energy and Yunnan Province.

The first generating unit will be put into operation by the end of 1992, local officials said.

It is also learned that a 600,000 kwh power station at Lubuge will be completed this year and some of its electricity will be transmitted to Guangdong.

According to an agreement between the Ministry of Energy, the State Energy Investment Corporation and the local authorities, Yunnan will supply Guangdong every year with 900 million kwh to 1.8 billion kwh between June and October from 1993 to 2012.

### Northwest Region

#### Gansu's Gu Jincheng Chairs Kangle County Meeting

HK1607002291 Lanzhou Gansu People's Radio  
Network in Mandarin 2200 GMT 12 Jul 91

[Text] On 10 July, the provincial CPC committee and government called together responsible comrades from relevant departments and experts to attend an on-the-spot meeting in Kangle county on handling official business to study and discuss the Eighth Five-Year Plan and 10-Year Program of the county. Participants put forward many opinions and proposals on the five-year plan and 10-year program of the county. They also proposed measures for some projects.

Kangle county is a county with which Comrade Gu Jinchi has forged links. After completing his investigations and studies in Yongjing, Dongxiang, and Jishishan counties, Comrade Gu Jinchi came to Kangle county to convene and preside over the meeting. He spoke at the meeting. He said: The focus of Kangle county's economic work should be on solving the issue of providing people with sufficient food and clothing, doing well the work of supporting the impoverished, and promoting development. He stressed that the following relations should be handled well:

1. With regard to the relations between enriching the people and making the county rich, the work focus should be on enriching the people. Only thus can the masses be enriched as early as possible and local stable finance sources be ensured.

2. While handling relations between developing industry and promoting agriculture, a primary position should be assigned to agriculture, grain production in particular. Efforts should be made to do well in developing local undertakings in light of local conditions to bring along agriculture. This will be beneficial to helping the masses overcome poverty and become rich on a large scale. We should run industry on the basis of the development of agriculture. We should run industry well to support agriculture.

3. While handling relations between external resources and efforts made in the county itself, the spirit of self-sufficiency and hard struggle should be carried forward. The county should rely on its own efforts to promote its construction.

4. The county should handle well relations between overcoming poverty and getting rid of ignorance. Increasing the cultural and educational level of the broad masses of peasants should be treated as a strategic measure [words indistinct]. Various kinds of specialized training classes and peasants' evening schools should be run. Efforts should be made to set up scientific and technical demonstration zones or households to vigorously popularize scientific and technical knowledge to increase peasants' capability in self-development.

#### **Authorities Arrest, Punish Ningxia Tobacco Head**

OW1207053191 Beijing XINHUA in English  
0137 GMT 12 Jul 91

[Text] Beijing, July 12 (XINHUA)—The number one official in charge of tobacco trading in the Ningxia Hui Autonomous Region has been arrested and punished for his involvement in illegal tobacco trading.

Yang Jie, former director of the Tobacco Monopoly Bureau of the autonomous region, made use of his power to illegally trade tobacco, which is a state monopoly under Chinese law. He was also charged with accepting bribes amounting to 92,000 yuan between 1988 and 1990.

The Central Commission for Discipline Inspection of the Communist Party of China (CPC) has helped local procuratorial organ to handle the case. The CPC commission also issued a circular to inform CPC organizations at various levels of the case and ask all CPC members to guard against any "unhealthy practice."

Yang was arrested in September 1990 and was recently stripped of his communist party membership and discharged from public employment, the circular said.

Yang's case also involved more than 30 accomplices, including a deputy director and the chief of the sales division in Yang's bureau. These two men respectively received 31,000 yuan and 131,000 yuan in bribes, making the case one of the most gravest in terms of the amount of money and the number of people involved, the circular noted.

What added to the seriousness of the case is the fact that the Ningxia bureau has been commended as a "national advanced sales unit" and the sales chief was granted the title of "model worker," the circular noted.

#### **Yin Kesheng Attends Qinghai Minority Songfest**

OW1607080291 Beijing XINHUA Domestic Service  
in Chinese 1315 GMT 14 Jul 91

[By Wang Jingye (3769 4737 2814)]

[Text] Xining, 14 July (XINHUA) — Today, thousands of compatriots of the Zang nationality in Qinghai's Xining Prefecture gathered in the shade along the bank of Huangshui River to hold their June songfest.

Just after 0600, these compatriots of Zang nationality had already pitched their tents on the grassland, set up their cooking stoves, slaughtered sheep, boiled tea with milk, and were eating while chatting, toasting one another with their highland barley wine. Clad in gaily-colored national costume, the Zang youths started to dance their delightful and propitious dance to the sound of drums and gongs. They were celebrating the 70th anniversary of the birth of the Communist Party of China to express their appreciation for the nationality policy of the party, which had continually improved the life of the Zang compatriots and brought bumper harvests in animal husbandry year after year.

Qinghai Provincial Party Committee Secretary Yin Kesheng and other provincial party and government leaders attended the songfest and extended their best wishes to the Zang compatriots.

#### **Qinghai Increases Interprovincial Cooperation**

OW1007111191 Beijing XINHUA in English  
0736 GMT 10 Jul 91

[Text] Xining, July 10 (XINHUA)—Qinghai Province in northwest China has strengthened its economic and technological cooperation with other provinces and regions in recent years.

It presently has cooperative relations with more than 20 provinces and cities, including Shandong, Guangdong, Shanghai, Liaoning, Hubei and Tianjin.

According to incomplete statistics, since 1986 Qinghai has signed more than 1,200 economic and technological cooperative contracts with other provinces and regions, introducing over 150 million yuan in funds, and training technical personnel outside the province more than 8,000 person-times.

In the past few years the provincial government made plans to send cadres to make investigations in some coastal provinces, and learn from their experiences. Provincial Party Secretary Yin Kesheng and Governor Jin Jipeng have also made a few investigations in other provinces.

In order to promote its cooperation with the outside world, the province has also paid great attention to its capital construction. Xining, the capital of the province, has now direct dialing telephone service that link the city with most of the country's large and middle-sized cities and more than 160 countries and regions.

Other facilities, including high-quality hotels, railways and a first-class airport, have also been constructed.

#### **Zhang Boxing at Shaanxi Two-Support Meeting**

*HK1707074991 Xian Shaanxi People's Radio Network in Mandarin 2330 GMT 11 Jul 91*

[Summary From Poor Reception] Yesterday [11 July] a provincial meeting of supporting the army and giving preferential treatment to families of revolutionary servicemen and martyrs, and supporting the government and cherishing the people [two support] was held in Xian. The meeting was presided over by provincial Vice Governor Xu Shanlin. Provincial party Secretary Zhang Boxing, Lieutenant General Fu Quanyou, commander of the Lanzhou Military Region, and responsible persons of other relevant provincial departments attended the meeting.

The task of the meeting was to review the work of the two support work over the past few years and study the way to strengthen the work during the new period. Comrade Zhao Boxing affirmed the great achievements in the two support work. He praised the fact that civilian cadres were enthusiastic in supporting the army and giving preferential treatment to families of revolutionary servicemen and martyrs, and that officers and men of the army units are also enthusiastic in supporting the government and cherishing the people. He hoped that unity between the army and government, and between the army and the people would be increasingly strengthened and consolidated.

Commander Fu Quanyou also spoke at the meeting. He urged people to carry forward the achievements of the two support work, develop the work under the new situation, and make efforts to improve its quality.

#### **Xinjiang Standing Committee Meeting Ends**

*OW1107130791 Urumqi Xinjiang Television Network in Mandarin 1555 GMT 8 Jul 91*

[Text] The four-day 21st meeting of the Seventh Xinjiang Autonomous Regional People's Congress Standing Committee ended on 6 July. During the course of the meeting, the Standing Committee members were divided into groups to study General Secretary Jiang Zemin's speech made at the rally to mark CPC's 70th founding anniversary. They examined the autonomous regional people's government's reports on the strategies to organize and implement the development of science and technology and public health work in agricultural areas. [Video begins by showing a long view of a meeting hall and then pans to show participants seated in the hall]

Amudun Niyaz, chairman of the autonomous regional people's congress Standing Committee, chaired the plenary meeting held yesterday evening. The meeting voted to adopt a resolution of the Standing Committee of the autonomous regional people's congress to approve the 1990 final accounts and the resolutions on the strategies to organize and implement the development of science and technology and strengthening medical care and public health work in agricultural areas.



## SEF Delegation Continues Mainland Visit

### Fishermen Issue Discussed

HK1507152891 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1348 GMT 11 Jul 91

[By Chen Guoming (7115 0948 2494): "Fujian Province's Taiwan Office Director Lin Qin Calls on Taiwan Authorities Immediately To Stop Arresting and Firing at Fishermen From the Mainland"—ZHONGGUO XINWEN SHE headline]

[Text] Fuzhou, 11 Jul (ZHONGGUO XINWEN SHE)—During his talks with Taiwan's Straits Exchange Foundation [SEF] delegation today, Lin Qin, director of Fujian Province's Taiwan Affairs Office, made a strong appeal to the Taiwan authorities to immediately stop forces stationed in Jinmen and Mazu from arresting, detaining, and shooting fishermen from mainland China for no reason, lest relations between the two sides of the Taiwan Straits be impaired. Lin Qin made the above remarks to correspondents from both sides of the Straits after exchanging views with Shih Chih-ping, deputy secretary-general of SEF this afternoon.

Lin Qin said: Fujian and Taiwan Provinces face each other across the sea, and the masses of the people on both sides of the straits share the same language and customs, and are related closely by ties of blood. Fishermen from both Fujian and Taiwan have been working in the same sea zone and enjoying good historical relations. During the past year alone, Fujian received more than 6,500 fishing boats and over 30,000 fishermen from Taiwan seeking shelter, supplies, and repairs; gave medical treatment to more than 800 people; and handled seven floating bodies from Taiwan, displaying in a concrete way the love of the people's government for Taiwan compatriots. It is a pity, however, that fishermen from the coastal areas of Fujian, who carried out normal fishing operations on sea were often arrested and detained by Taiwan armed police. Incomplete statistics show that in the first half of this year alone, Taiwan armed police have detained 27 mainland fishing boats and 422 fishermen. After being taken in, locked up, and tortured without any reason, these fishermen were often repatriated as illegal immigrants, while some fishermen's boats and goods were confiscated. Lin believed that the move to arrest and detain mainland fishing boats for no reason has run counter to the "Jinmen Agreement" and, therefore, he urged relevant departments in Taiwan to stop arresting and detaining mainland fishing boats that are carrying out normal operations on sea.

When talking about the issue that Fujian fishermen were attacked by firearms, Li Qin pointed out: Over the past several years, forces garrisoned Jinmen and Mazu often shot dead or injured fishermen from the coastal areas of Fujian. Statistics show that during the period from last January and May alone, five fishermen from the coastal areas of Fujian were killed and 22 injured by forces stationed in Jinmen. Lin called on the Taiwan military

not to treat their compatriots in such a way, but to stop firing at mainland fishing boats that are carrying out normal operations on sea; sternly investigate and affix the responsibility on those involved; and compensate for the losses they have caused. Li also expressed his hope that the SEF could pass on this strong appeal to relevant departments in Taiwan.

### Meets Shanghai Officials

OW1407025991 Shanghai People's Radio Network  
in Mandarin 0900 GMT 13 Jul 91

[From the "News and Weather" program]

[Text] Wan Xueyuan, secretary general of the Shanghai Municipal People's Government, met at Jingjiang Hotel this morning with a delegation of the Taiwan's Strait Exchange Foundation led by its deputy secretary general Shih Chih-ping. Wan Xueyuan welcomed the Taiwan delegation on behalf of the municipal government. He also briefed the guests on Shanghai's reform and opening to the outside world and the progress of development in Pudong.

He expressed the hope that the delegation's visit will further promote exchanges between Shanghai and Taiwan and that both sides should strive to solve some existing problems to realize direct trade, mail, air, and shipping services as well as two-way exchanges between the two sides.

The nine-member Taiwan delegation arrived in Shanghai on 12 July. It will visit the Pudong Development Zone, Nanpu bridge, Xinzhonghua machinery plant, and Taiwan-funded enterprises in Shanghai. A responsible person of the municipal Taiwan Affairs Office also met with the delegation at the municipal government this morning.

### Paper Criticizes UN Membership Proposal

HK1507140791 Beijing RENMIN RIBAO  
OVERSEAS EDITION in Chinese 11 Jul 91 p 5

[By Tao Shian (7118 0013 1344): "Stupid and Conceited Move: Comments on 'Proposal for Returning to United Nations' Adopted by Taiwan 'Legislative Yuan'"]

[Text] On 18 June, Taiwan's "Legislative Yuan" adopted a "proposal for returning to the United Nations" put forward by some "augmented members of the Legislative Yuan." This move is really stupid and conceited, and all fellow countrymen feel that it is absurd.

According to international law, a country can only have one legal government, which represents its country to enforce international law. The PRC Government is the sole legal government which represents China and which was already recognized by the United Nations 20 years ago. Furthermore, as a permanent member state of the UN Security Council, the PRC holds the balance in international affairs, and this is universally acknowledged. As Taiwan is a part of China, it has no reason for application and "its return to the United Nations" is

impossible. This principle is known to everyone. Some "members of the Legislative Yuan" of Taiwan who have "an encyclopedic mind" just forgot this common sense and performed such an absurd play.

Not long ago, the Taiwan authorities formulated a "program for national reunification" and clearly announced that the principle of one China should be pursued. The "Legislative Yuan" has now adopted a "proposal" for creating "two Chinas." Isn't it acting in a way that defeats its purpose and slapping its own face?

The Taiwan authorities also feel that such a proposal "won't work theoretically and practically." They have also declared that to seek an "appropriate time" to get "the support of the overwhelming majority" of the United Nations, they must develop their "diplomacy" in order to achieve success. However, such a calculation can hardly be successful. Only those people without prejudice can see that the international reputation of the PRC becomes higher with each passing day and striving for the peaceful reunification of the motherland has become the consensus of the wise personages on the mainland and even on the island. Therefore, the "appropriate time" expected by Taiwan authorities can, it is feared, only be an illusion.

The Taiwan authorities have all along preached that they must strive for the so-called "international space for existence" and vigorously pursued so-called "practical diplomacy." The "Legislative Yuan" has now adopted the "proposal" for applying for "return to the United Nations" and this shows to the people of the world that what they actually strive for is "two Chinas" and at the same time also exposes those who are encouraging the trend of "Taiwan independence" thought to stir up a new muddy wave.

Putting an end to separation and reunifying the motherland has become a general tendency. Nobody can resist the historical trend toward reunification. Any plot for "two Chinas," "one country, two governments," and "one China, one Taiwan" absolutely will not work.

### Reunification Committee Urges Wise Response

OW1707004491 Beijing XINHUA Domestic Service  
in Chinese 1035 GMT 16 Jul 91

[“The Committee for Reunification of the Motherland of the CPPCC National Committee Urges the Taiwan Authorities to Wisely Respond to the Three Proposals Put Forward by a Responsible Person of the Taiwan Affairs Office of the CPC; by RENMIN RIBAO reporter Zheng Gugu (6774 0942 0942) and XINHUA reporter Fan Liqing (5400 7787 7230)”—XINHUA headline]

[Text] Beijing, 16 Jul (XINHUA)—The Committee for Reunification of the Motherland of the National Committee of the Chinese People's Political Consultative Conference [CPPCC] held a discussion meeting today, urging the Taiwan authorities to respond wisely to the three proposals put forward by a responsible person of

the Taiwan Affairs Office of the CPC Central Committee [as published] as soon as possible, in order that such a response may be conducive to promoting the process of peaceful reunification of the motherland. The three proposals are "Kuomintang [KMT]-CPC talks," "three two-way direct links [navigation, postal services, and trade] between the two sides of the Taiwan Strait," and "exchange of mutual visits by high-level officials of the KMT and the CPC."

Chairman Qian Weichang [of the Committee for Reunification of the Motherland] said: The three proposals put forward by the CPC are fair and reasonable, and play a very great role in promoting development of the current situation between the two sides of the Taiwan Strait. The Taiwan authorities are hesitant in their attitude toward the CPC's proposals at present. It is hoped that they will make up their minds and make a decision as soon as possible in order to realize the proposed KMT-CPC talks.

Vice Chairmen Jia Yibin and Yang Zhengmin [of the Committee for Reunification of the Motherland] said: The responsible person of the Taiwan Affairs Office of the CPC pointed out in his speech "We will absolutely never sit by and idly watch 'Taiwan declare independence' without doing anything about it." In his "July 1" speech, Jiang Zemin, general secretary of the CPC Central Committee, also pointed out that, at present, "the ideological trend advocating 'independence for Taiwan' tends to run rampant. It is necessary for us to pay serious attention to it and maintain sharp vigilance." These speeches pointed out the crucial point. Rampant on the island recently, the activities conducted by elements advocating "Taiwan independence" have most compatriots at home, abroad, and on the island worried. "Taiwan independence" jeopardizes not only reunification of the motherland but also the stability and development of the whole of China, including Taiwan, in the future. The Taiwan authorities should have a clear understanding of this and must not connive at, or be indulgent toward the "Taiwan independence" activities, which are running rampant, any longer.

Members attending the meeting pointed out in their speeches: So far, the Taiwan authorities have still not made a formal response to the three proposals put forward by the responsible person of the Taiwan Affairs Office of the CPC and still adopt "stalling" tactics. "Stalling" is not the way to solve a problem. The great cause of reunification of the motherland conforms to the common aspiration of the people as well as the general trend of the times. It is hoped the Taiwan authorities will consider and treat the three proposals of the CPC in earnest.

Present at today's discussion meeting were 10 members of the Committee for Reunification of the Motherland. They were Chen Zhongyi, Xiong Xianghui, Ye Zhishan, Zhong Shitong, Feng Lida, Wang Qingshu, Xie Yuchen, Cai Qikan, Min Yu, and Zhang Qia.

### XINHUA Reaction to Taiwan Advertisement

OW1707110291 Beijing XINHUA Domestic Service  
in Chinese 0756 GMT 17 Jul 91

["People of All Walks of Life on Taiwan Shocked by Taiwan Authorities' Claim of Being Ready to Accept 'Dual Recognition'" —XINHUA headline]

[Text] Beijing, 17 Jul (XINHUA)—In a political advertisement it ran on the commentary page of THE NEW YORK TIMES on 8 July, Taiwan's "Government Information Office of Executive Yuan" made an unprecedented announcement that Taiwan was ready to accept "temporary" dual recognition. The advertisement, which exposed the intention of the Taiwan authorities to create two Chinas, has shocked people from all walks of life and created a political storm on the island.

Under the title "Pragmatic [wu shi 0523 1395]" the advertisement in THE NEW YORK TIMES describes the evolution of the triangular relations among Taiwan, the Chinese mainland, and the United States; and explains Taiwan's pragmatic diplomatic policy. The advertisement points out: "The ROC [Republic of China] has replaced the war of words with a business-like approach to the issue of China's division. For example, the ROC has formally declared its willingness to accept temporary dual recognition from other countries...." [XINHUA ellipses]

According to Taiwan's LIEN HO PAO, the advertisement shocked Taiwan's diplomatic personnel, and some of them have broken into a cold sweat of anxiety over it. Taiwan's media has even queried the advertisement and criticized the claim that Taiwan was ready to accept "dual recognition," thus triggering an "advertisement" storm on the island.

According to newspapers on Taiwan, officials of the "Government Information Office" indicated that the advertisement was finalized after Taiwan's "Ministry of Foreign Affairs" "offered its brilliant idea"; however, Qian Fu [Chien Fu], Taiwan's "Minister of Foreign Affairs," and his subordinates all indicated that they had never seen the script of the advertisement. While explaining this advertisement, Shao Yuming [Shao Yu-ming], director of the "Government Information Office," had to admit that he himself examined the script of the advertisement, but found that its substance did not go against any "government" policy. According to Ni Gongzhao [Ni Kung-chao], director of the "Government Information Office's International Department," the passage about "dual recognition" has nothing wrong because it was quoted from a statement made by Li Denghui [Li Teng-hui] at a press conference.

LIEN HO PAO pointed out in a commentary: The advertisement betrayed the Taiwan authorities' real intention to seek "dual recognition." The commentary says: "To maintain the superficial stand of 'one China,' or for fear of falling into the trap of being criticized by the Chinese communist authorities for creating 'two

Chinas,' the foreign affairs authorities have been following the principle of 'doing their work but not saying anything about it.'" This common understanding between the diplomatic authorities and high government authorities, however, is now wrecked by the text of an advertisement which had not been cautiously handled."

### XINHUA Taiwan Affairs Official Takes Office

HK1207135991 Hong Kong ZHONGGUO TONGXUN  
SHE in Chinese 1056 GMT 12 Jul 91

[Report: "Le Meizhen Arrives in Hong Kong To Become Deputy Director of Taiwan Affairs Department of Hong Kong XINHUA NEWS AGENCY"—ZHONGGUO TONGXUN SHE headline]

[Text] Hong Kong, 12 Jul (ZHONGGUO TONGXUN SHE)—Concerned departments of the Hong Kong XINHUA NEWS AGENCY confirmed that Le Meizhen [2867 5019 4176], former deputy director of the Chinese State Council Office of Taiwan Affairs, arrived in Hong Kong on 11 July to assume the office of deputy director of the Taiwan Affairs Department of the Hong Kong XINHUA NEWS AGENCY. It is learned that he formally reported for duty to the XINHUA today. Le Meizhen is 45 years old, has rich experience with cross-strait affairs. Last September he achieved a breakthrough when he launched, in the capacity of board member of the Mainland Red Cross Society, the first talks with his Taiwan counterpart Chen Wen-chang at Jinmen, reached a working agreement on two-way repatriation of entrants without permission, alleged criminal offenders, or criminal offenders and became famous for this achievement. In April this year the State Council Office of Taiwan Affairs officially assigned him to work at the Taiwan Affairs Department of the Hong Kong Branch of the XINHUA NEWS AGENCY.

The Taiwan Affairs Department of the Hong Kong XINHUA NEWS AGENCY was formally established on 1 January 1991. Huang Wenfang, the agency deputy secretary general, has been its director. Le Meizhen is now its deputy director.

### Taiwan Red Cross Donations for Flood Victims

OW1607074291 Beijing XINHUA in English  
0609 GMT 16 Jul 91

[Text] Beijing, July 16 (XINHUA)—Taiwan compatriots are showing great concern about the provinces on the mainland hit by floods, according to the Red Cross Society of China.

Since July 12, when the Taiwan Red Cross Society officially called on people from all walks of life in the island province to make contributions to the flood-stricken areas in eastern and central China, the society has collected a total of one million U.S. dollars and 10,000 tons of rice.



These donations are expected to arrive on the mainland soon.

### Second Donation Made

HK1707054291 Beijing ZHONGGUO XINWEN SHE  
in Chinese 0734 GMT 16 Jul 91

[Report: "The Taiwan Red Cross Donates \$1 Million to Mainland Flooded Areas"—ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 16 Jul (ZHONGGUO XINWEN SHE)—Today the Taiwan Red Cross telegraphed the Chinese Red Cross notifying that it has raised \$1 million and 10,000 tonnes of rice in Taiwan and that this will be sent to the mainland as soon as possible to provide relief aid for mainland compatriots.

This is the second donation from the Taiwan Red Cross after its \$200,000 donation on 6 July.

### Official Says Taiwan Should Use Mainland Coal

HK1207015491 Beijing CHINA DAILY in English  
12 Jul 91 p 2

[By Huang Xiang]

[Text] Taiwan should burn more coal from the mainland of China, according to Hu Fuguo, vice-minister of Energy Resources.

He called for greater co-operation between the two in the coal sector in the final decade of the century. "There is good reason to tap the huge co-operative potential on both sides concerning coal development and trade," Hu said.

Coal trade between the two sides has grown at an average of 50 per cent a year since 1988 and businessmen from Taiwan had been making contacts with Chinese partners about further co-operation.

"But still, coal sales by mainland to Taiwan are very insignificant in view of the amount of coal imported by Taiwan and the enormous production capacity of the Chinese mainland," said Hu, declining to give figures.

Taiwan was known to be getting richer but its coal production had failed to keep pace because deposits were being used up and mining conditions getting worse. The unstable oil supply was another factor which had made Taiwan turn to heavier consumption of coal.

"So the coal trade should provide a major business opportunity for both sides of the Taiwan Strait," said Hu, who is also president of the China National Coal Corporation.

Being the world's leading coal producer, and seventh largest coal exporter, Hu said, the nation boasted rich and various coal resources which could probably meet the specific demands of all industries on Taiwan island.

The proximity of the mainland coalfields was another advantage, compared with Australia, the United States, South Africa, and Canada, all of which have been traditional suppliers of coal to Taiwan.

Hu admitted that the quality of Chinese coal had been a matter of growing concern on both sides. But he claimed that there had been some improvements.

Coal importers had been grumbling about too much water and ash in coking coal, anthracite of substandard size, and some "dangerous impurities" in steam coal.

So far, according to Hu, the government has selected a number of production bases for coal exports while eliminating several others. A series of measures had been put into effect to guarantee quality.

Coal is one of China's major sources of hard currency. The industry plans to earn \$600 million by selling 18 million tons on the international market, compared with 15.5 million tons in 1990.

On furthering co-operation in developing China's coal production, Hu looked for assistance and cooperation from Taiwan, an island with a lot of capital and advanced technology.

"We attach special importance to co-operation in coal mining enterprises in Southeast China's Fujian and Guangdong provinces," Hu said.

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